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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EMIGRATION APPLICANTS CITE ENVIRONMENTAL POLLUTION

Bonn DIE WELT in German 8 Oct 84 pp 8,12

/Article by Hans-R. Karutz datelined Berlin: "Contaminated Environment as Reason for Emigration Applications--'GDR' Policy of Growth at All Costs Leads to Extensive Damage"/

/Text/ Emigration applicants in East Germany cite more and more frequently the lack of environmental protection as the reason for wanting to leave the "GDR." In the industrial areas particularly polluted by stack gas and contaminated water, the number of applicants is rising. A situation report in the hands of the federal government in Bonn points to the priority of fulfilling quotas over environmental protection and comes to the following prognosis: as a result of the economic policy in East Berlin, directed at growth at almost any price and foreign currency income, it is probable that the "GDR" in future will increasingly take on the manufacture of environmentally damaging products for the European or world market.

A further significant aspect is pointed out in the details of the report. The "GDR" lacks foreign currency in order to import suitable western technology which permits production procedures less harmful to the environment.

In this context, two figures are of interest which SPD politicians learned in September in an informational talk at the Technical University of Dresden. In a discussion with the prorector and professors, a Dresden economist and ecology expert gave the following data: Desulfurization of "GDR" power plants, which operate almost exclusively on low-grade domestic lignite coal, would cost 10 billion Marks (East). In addition, there would be an incalculable expense for making 1.5 million jobs in the often outdated "GDR" industry more tolerable for the workers. During the same talk, the Dresden hosts stated emphatically that there would be no "eco-socialism" in their country.

The Bonn paper notes that over there, "data and tables on environmental damage" are subject to "official secrecy regulations." The authors predict a further increase in the pollution of the Weser and Werra Rivers

on the western side, since the "GDR" intends to increase and expand its potash production. On the other hand, pollution of the Baltic Sea is not a burning issue from the East German viewpoint. As a rule, the Baltic is cleaner than the Mediterranean.

Regarding the subject of "forest death," the authors note a "fickle GDR information policy" in which admissions and denials "alternate in rapid succession." Regarding air pollution, the report states that, in order to save energy, stack filters (if existing) of power plants are turned off at night. In the case of new construction or remodeling of power plants, the "minimum heights" of chimneys have been lowered because of the cost. During inspections of especially polluting installations by western experts or delegations, for example, a part of the installation is turned off in order to obtain more favorable emission values.

According to the report, the insufficient desulfurization in the area of East German industrial centers, and particularly in the Halle-Leipzig region, leads to an extremely high percentage rate of respiratory diseases, especially among young children.

More effective environmental protection could lead in these areas to an average increased life expectancy of 4 years, and could reduce the number of tumor diseases by 25 percent, the number of heart and circulatory diseases by 10 to 15 percent.

Since 80 percent of the "GDR" chemical industry is located either directly at or in the drainage area of the Elbe River, this leads to increased dying of fish or to ground water pollution by sewage.

Due to the prescribed gasoline and diesel oil quotas for the state transportation industry, but also because of a lack of special vehicles, there are a number of unauthorized chemical waste dumps which also endanger the environment.

The report in Bonn speaks of over-all insufficient sewage purification. In order to provide help for West Berlin rivers and lakes which are particularly contaminated by East Berlin waste water, it is known that the "GDR" is now, and until 1985-86, building high-grade western filter installations into several purification plants on the outskirts of East Berlin. This action is paid for mostly by the federal government in order to better detoxify western sewage which is traditionally purified in East Berlin purification plants.

With regard to dying forests, especially in the Saxon-Bohemian area, the paper states that the "GDR" is not in a position, for example, to buy more effective western substances against wood pests. Their own less effective chemicals, among other things have the disadvantage of killing useful insects along with the pests.

9917
CSO: 2300/82

GREATER USE OF INLAND WATERWAYS FOR FREIGHT TRANSPORT

East Berlin WOCHENPOST in German No 35, 31 Aug 84 (signed to press 23 Aug 84) p 3

[Helga Wollert interview with Eckhard Knobloch, director, 'Mittelelbe' VEB Inland Harbor (date and place of interview not provided): "More Freight via the Waterways"]

[Text] WOCHENPOST: A short time ago, the "inland harbor transhipment" product group was founded, and the Magdeburg inland harbor was named as head enterprise. What were the reasons for choosing this enterprise?

Eckhard Knobloch: We believe that the Magdeburg enterprise has the most experience, as it is the largest inland harbor in our republic. Freight from an average of 6500 ships annually is loaded and unloaded at its docks. The harbor railroad accesses more than 100 loading berths on 66 kilometers of track, and supplies goods to 60 production plants, some of which are large-scale centers, in the neighboring industrial region. The Magdeburg harbor is in certain respects a junction for inland navigation, both north to south and east to west. In addition, we have trans-border traffic here. For these reasons, the Magdeburg harbor requires the highest level of performance, as well as a concentration of personnel and corresponding equipment.

WOCHENPOST: What was the stimulus which led to the establishment of the product group?

Eckhard Knobloch: The stimulus came from the strategy for overall inland navigation in our republic. In the current five-year plan, as you know, social transport expenditures are to be reduced by at least 20 percent across the board--roughly as much as in the last ten years together. In selecting the best transport modes and routes from an economic viewpoint, greater attention must of course be given to inland shipping and the approximately 2300 kilometers of navigable waterways, because our specific energy consumption is 20 percent less than that of the railroad. Here we actually have a significant reserve in order to improve the cost/benefit ratio of overall freight transport.

WOCHENPOST: What are the resulting tasks of the product group?

Eckhard Knobloch: For our sector of the economy, for example, an annual transport growth rate of 10 percent is planned. And everything which is transported by the inland shipping company must of course first be unloaded at the inland harbors and transhipped. In other words, the inland harbors must adapt to this development, placing primary emphasis on accelerating the loading and unloading of ships and developing new transhipment points. However it would be incorrect to say that we need investments before we can accomplish more. The goal of our work within the product group is rather to look for reserves in each inland harbor by comparing their performance. This will allow us to then determine how existing capacities can be better utilized.

WOCHENPOST: You mentioned new transhipment points. Who will develop them?

Eckhard Knobloch: We view this as a joint task of our combine, local government bodies and the factories located near waterways. A factory on the letdown canal in Magdeburg, for example, reclaims construction rubbish and loads it onto trucks. Because there is a waterway access there, it seems logical to use it again. Of course, our product group cannot say, "You are located on the waterway, so you have the means to transport your products by ship. You develop the ways to do it." This can only be done through a socialist cooperative effort. And here we work closely with all organizations in the Bezirk which are responsible for transport matters. We are available to answer questions of a technical nature, and we also determine which factories could make use of waterway transport based on analyses of the flow of goods. These matters are discussed with all partners. If it is in the best interest of the national economy, the Bezirk Council gives the go-ahead to develop a transhipment point.

WOCHENPOST: Is this done according to a plan?

Eckhard Knobloch: Let me answer in terms of Magdeburg Bezirk. We have devised a plan for developing inland navigation which results in the assignment of individual tasks. This plan specifies when and where new investigations are to be made and new transhipment points are to be developed.

WOCHENPOST: Freight transport cooperatives have been helpful for some time in motor vehicle and railroad transport. Are you working toward the same thing in inland navigation?

Eckhard Knobloch: According to this scheme, yes. Our goal is to coordinate capacities in such a way that in the final analysis the use of all modes of transport is beneficial to the national economy. We have established working groups at all locations within Magdeburg Bezirk where inland navigation has not yet been given consideration.

WOCHENPOST: And have you been successful?

Eckhard Knobloch: We have thus far been able to shift the transport of a large amount of freight from the roads to the waterways. The piece goods line

established since the end of 1982 between Dresden and Tangermuende has yielded positive results in this regard. Fruits and vegetables, thermodiscs, motors, machine parts and other goods are being moved for many factories considerably more effectively via the waterways than was previously the case via road and rail. The on-time delivery, adherence to the shipping schedule and the transport quality of this line are held in high regard by its customers.

WOCHENPOST: The inland waterway fleet as well as the equipment required for loading and unloading cargo in the harbors are expensive basic materials. How are they being used?

Eckhard Knobloch: In multiple-shift operation wherever possible, and by eliminating equipment downtimes and reducing non-productive time. These measures yield higher shift utilization. Perhaps a few statistics will make this point clearer: In the Magdeburg inland harbor, for example, roughly 1.6 million metric tons of cargo were transhipped in 1981 as compared to around 2.4 million metric tons last year. In 1982 the crane installations were still being used at only between 25 and 30 percent capacity. Now, with around-the-clock transhipment operations, usage is up to between 40 and 60 percent. What we obviously do not like are ships making trips empty--something which unfortunately still occurs. At present, such trips account for 23 percent of all trips. Therefore the better we are able to convince factories to transport their freight by ship--an important task of the product group--the better able we will be to reduce the number of times ships make trips empty.

WOCHENPOST: What is the attitude of the factories toward using ships as a means of transport?

Eckhard Knobloch: Let's not deceive ourselves--in the past several years we have occasionally had to drive a hard bargain. For decades, roads and railroads were the most widely-used modes of transport. Now many factories are supposed to switch as quickly as possible to inland navigation. Not every plant manager is going to say, "That's something I simply can't do without!" He who has geared his operations to motor vehicles for 25 years must make an enormous adaptation. Under certain circumstances this means that he must introduce a different organization of labor or a different transport technology. However in cases where the necessity of such a change is understood, effective solutions in terms of the national economy can be found.

WOCHENPOST: Can you give us some examples?

Eckhard Knobloch: The Magdeburg sheet and plate factory. Structural units for housing construction in Schoenebeck were transported over the road from this factory to the harbor of this Kreis city at great expense, with a great deal of noise and at high diesel fuel cost. After unloading, the vehicles drove back to the plant empty. Now, with our help, the factory has its own transhipment point. The products are loaded onto barges and transported to the Schoenebeck harbor, and motor vehicles are used only for transporting the units the final three kilometers to the construction site.

Or let's take the Greifswald inland harbor. Up until 1983, roughly 400,000 metric tons of cargo were transhipped annually at this harbor. Double this amount is possible, however, as the transhipment facilities are being operated around the clock in three shifts. Because there were non-productive periods in the individual shifts and because the facilities were being used at less than full capacity, mobile cranes were rented to the building and assembly combine. Here, the Greifswald harbor--the Greifswald Bay communicates with the Oder River--is the ideal place to improve usage of the northern inland waters for freight transport. Breweries in Greifswald and Wolgast, among others, today transport their drinks via the Greifswald Bay. The construction industry is also using the harbor for the transhipment of prefabricated concrete structural units. If we can now set up an intermediate storage area there, we can transport considerable amounts of bulk freight farther toward the interior of the country.

WOCHENPOST: Have no goals yet been set for freight transport via the waterways and its transhipment at inland harbors?

Eckhard Knobloch: This year for the first time the inland fleet has aimed for the 20 million metric ton mark in the transport of freight. By 1990 we will be close to 30 million metric tons of freight annually. Therefore between now and then many more factories will have to decide in favor of transport via the waterways. We, at least, are ready and willing to assist all branches of industry.

12644
CSO: 2300/60

SALES OF NC OR CNC MACHINE TOOLS TO SOVIET UNION, CEMA

Budapest NEPSZAVA in Hungarian 21 Oct 84 p 4

[Article by Tibor Flanek: "On the Tracks of Lost Markets"]

[Text] The convertible export of the Machine Tool Industry Works has been steadily declining since the early 1980s: this year, even when calculated in forints, it is less than half of what it was 4 years ago. And in dollars--we are better off to not even compare it.

Even the leaders of the SZIM [Machine Tool Industry Works] are not surprised that the blames are just pouring down on them just like on many others of their colleagues in the machine industry. That is, we are living in an era when incomes earned in hard currency are simply indispensable to the economy's balance, and it is hard for the country when a branch with such great weight in our balance does not fulfill everyone's expectations.

Of course, it must also be seen behind the discouragingly declining graph, what the world market is like today. It must be seen that the demand is soft even for the most modern machine tools: thousands of them are being offered in Western Europe and in the United States from stock, or from bankrupt companies. At cut rates, and even below cost. The West German firms, a few years ago still great partners of the SZIM, have practically completely withdrawn from the cooperative projects: they cannot share their tasks with others when it is even difficult for them to find work for their own workers.

They Say Thanks for It, but Still Do Not Want It

"They thanked us for the cooperation"--says business manager Gabor Horacek bitterly--"and said everything nice about us that could be said, but they also said that they have no other choice now: they must abandon it. And this is our largest loss: the West German cooperation generated 215 million forints in 1981, last yearonly 16 million, and barely 4 million is left for 1984. This is less than nothing.

The question is very justified in this situation: really how competitive are the products of Hungarian factories--in our case, the SZIM--today on the world market?

Well, it seems that the SZIM can hardly be accused of its machine tools not being modern. They began thorough transformation of the product structure over a decade ago here, and today they build practically no traditional machines. Thie r line consists overwhelmingly of electronics, NC and CNC machines just like those of the leading Western, American or Japanese firms. And today they also try to keep up with development.

"When the enterprise started to produce the electronic machines, this was not yet completely this way"--says Gabor Horacek.--"At first the traditional cutting machines also continued to be produced. There was much haggling about whether the SZIM should change over completely to the new products, and the enterprise suffered the effects of this: by 1980 it lacked funds and was unable to repay the loans received during the time period of the Fifth 5-Year Plan.

But this is in the past. At that time the entire management team of the enterprise was replaced and the new management soon decided the debate: the huge amount of capital invested and the equipment can be put to rational use only if the high value machines become dominant among their products.

"This is not as if the traditional machines no longer had a market"--the business manager explains.--"It is there even today, but it is obviously decreasing. But there is also a huge supply of them: several socialist countries and also the developing countries are building large quantities of them. They are being dumped on the world market which, of course, also means dumping prices. And it weighs just as much in the balance of evaluation in favor of the NC and CNC machines built in the most developed countries that the number of standard working hours needed to produce them is much less with respect to their value.

It is afact that there are about 120 gears in a traditional engine lathe which must all be produced by the manufacturer, while there are only seven of them in the NC machine.

In Selected Industry Branches

"After the debate was decided and the product structure completely changed, it became clear soon: there are not too few employees at the enterprise, but rather too many--says Gabor Horacek.--"The SZIM had 6,500 employees in 1980, while even 5,000 are now sufficient. Even though in the meanwhile production value increased from 2.1 billion to 3.4 billion forints."

So the new technology has come and conquered, then came the licenses, the cooperative projects producing many millions, and the SZIM reached a technological level with which it became one of the recognized leaders among the CEMA's machine tool manufacturers:

"Until two years ago the Hungarian machine tool industry had not been able to sell one single NC machine in the Soviet Union"--the business manager recalls.--"Last year the Soviet partners bought 50 from us, this year 130, and next year we will be delivering 200 of them."

The SZIM's electronic machines are used in selected industry branches in the Soviet Union, Czechoslovakia, Romania and also Yugoslavia. And the enterprise's socialist export has been growing faster in recent years, while the convertibly accounted export is declining.

"It seems your enterprise's machines are considered solid items in the CEMA countries. How is it possible to still lose so much ground on the nonruble-accounted markets with technology considered advanced even by Western standards?"

"It is obvious that we must also shoulder some of the blame"--Matyas Jakab general manager admits.--"For example, only recently did we begin to discover and explore the Yugoslavian, Indian and Chinese markets, which are very promising indeed, but it may take several years to reach exports here with which we can significantly replace that which is temporarily lost due to the crisis. We certainly could have thought of it sooner, then we would now perhaps be further ahead."

"And then"--he muses--"we cannot state that our development, implementation of one of our new constructions or another will not be delayed. For example, the prototype of one of our novelties which for the time being can be called unparalleled, should have already been ready a year ago according to our original plans. It was just now completed. I just received the report today that the most sensitive tests were successful. But we don't know when we can put it on the market, even though we are certain that there will be a demand for it also in convertible currencies."

"So your own delays are also at fault..."

"Of course they are. But this is not definitive. Even our existing products are growing for the time being. They just don't bring in a price now on the market of the developed capitalist countries. And we will not sell them at a loss even if there are those who say that nothing is too much for the dollar today."

Without the Split of Personality

Because, of course, the country needs hard Western currency for equilibrium. But not just at any cost. And we also have supply obligations toward the socialist countries, and if we want solid items from them we must give the likes of them in exchange for them.

This can hardly be argued. Just like it cannot be that the domestic needs cannot be neglected either. During the 1970s the country's machine tool inventory--in terms of hard currency--continuously deteriorated. Everybody was chasing the convertible export, while for the Hungarian industry machine tools had to be imported also for hard currency which were hardly any better but certainly more expensive.

All this does not mean that we should not increase our efforts to increase the export of the Machine Tool Industry Works which produces hard currency. But the market's realities must also be acknowledged. These include the crisis, the soft demand, and also include the dishearteningly low prices. Under such circumstances the present regulations, the evaluation system do not exactly encourage expansion of the convertible export: it is hard to make progress against the wind.

Of course, this can be changed and the central management is expected to make changes. But we would also need to change that really split-personality view of ours that either only the dollar, or only the ruble, or only the domestic supply can fit into the picture. If we could just see these in their interrelationships, perhaps we would also have less problem with the balance.

8584
CSO: 2500/70

TOP ECONOMISTS, NYERS DEBATE RULES OF MARKET BEHAVIOR

Budapest MAGYAR HIRLAP in Hungarian 6 Oct 84 p 5

[Interview with Adam Angyal, director general of the Hungarian Ship and Crane Factory, Dr Gyorgy Kalman, assistant manager of the Economic College of the Supreme Court, Rezso Nyers, economic adviser and member of parliament, Dr Laszlo Szalay, docent at the Department of Economic Law at Karl Marx University of Economics and Dr Jeno Zanyi, vice president of the Hungarian Chamber of Commerce, by Gyorgy Acs and Andras Bank, representing MAGYAR HIRLAP: "The Rules of Market Behavior"]

[Text] The April resolution of the MSZMP Central Committee, dealing with the further advancement of the economic guidance system, states that: If we are to reach our economic policy goals, the effectiveness of the central economic guidance activity must be increased, the role and sphere of operation of the regulated domestic market must be expanded and the entrepreneurial behavior of the enterprises must be developed. To bring the reform conception into being, a broad-based legal foundation work has evolved part of which is the bill dealing with the prohibition of dishonest economic activity, which will be debated during the fall session of parliament. At our editorial debate on the bill and its socioeconomic correlations, our guests were [as listed in the subslug].

[MAGYAR HIRLAP] In our econocy, the market mechanisms as yet are asserting themselves in a rather contradictory fashion. As we see it, they will be resolved not by suppressing the market but rather by developing it. What kind of institutional, economic and legal means are available for it and how does the bill on the prohibition of dishonest economic activities fit among these means?

[Rezso Nyers] The 1968 economic reform has intended a considerably more active role for the market than before; elements of market self-regulation were also incorporated into the regulatory system. However, development remained uneven and the market remained strongly deformed; only in a narrow area could we realize a balance between supply and demand. Thus,

the basic problem is in the economy. During the earlier period, our legal measures paid little attention to market procedures and, in some cases, their effect was not even unequivocal or beneficial. Albeit as the market develops so must also develop the state guidance implementation system and the legal regulations. In my opinion, the bill in question fits well into the sought-after development of the people's economy.

A well functioning market mechanism sends correct signals about the objective reality, this role cannot be overestimated. Of course, we cannot expect that, as an active factor in management, it would solve the arising problems by itself. Most of these must be solved through active intervention by the government and enterprises through orchestrating the interests. Here worker and consumer interests must be given a significant role. The question is, what should the proportion of state and of independent enterprise activity be? Based on the analysis of the period since 1968, it is my opinion that the scope of enterprise action remains restricted and enterprise activity is weak. The former should be expanded and the latter strengthened. This program is in reality defined by the conception of economic reform which must take on a political and legal form. I should like to emphasize that the economic foundation (planning, regulation, market, enterprises, business federations) and the legal structure must be developing parallel to each other. One can precede the other, but not over an extended period because that would lead to a one-sided economic system. If the bill on the prohibition of dishonest economic activity becomes law, it will get ahead of the given state of development in economic life, market and entrepreneurship, and even state guidance. Because this law is more demanding than our regulatory system is advanced and enterprisal freedom of action is exercised. If we fail to make progress in advancing the latter, the contradiction will become even sharper between the law and the realities of economic life.

It is Little by Itself

[Laszlo Szalay] I agree with comrade Nyers in that the enactment of the law on prohibiting dishonest economic activities is called for primarily by the conditions of the regulated market. However, I must add--what I consider very important--that the "deformed" market also needs the planned legal regulations at least as much as does the well functioning market presenting economic competition. Since it is generally known that the domestic market conditions were characterized by tensions, dissonance and not by accord during the past decade and a half, and in many respects still today, we have been somewhat late with the enactment of this law. With respect to the relationship between the current state of the market conditions and the planned law, I should like to stress that, for a relatively long time, it must be expected that the market will be dominated by deficiencies rather than an approximate balance and, if this is the hard reality, then our national economic and legislative mode of thinking must be adjusted to it. Under such market conditions, market participants strive to realize their own interests, and even excessive pursuit of those interests can frequently occur. For this very reason, in my opinion,

the definitive economic policy and legal policy goals of the new bill are to correct the disfunctions in the market conditions and to restrain the market participants from realizing behavior which is detrimental to the interests of the nation, the competitors and the consumers; in its totality, it should define in a timely manner the principal rules of behavior for participants in the market.

Equality of Chances

[Gyorgy Kalman] The bill in preparation will become the law for market behavior. It is setting three goals: preventing degeneration of the competition; taking steps against the harmful occurrences stemming from greater market potential; strengthening the protection of consumers and users.

Under our economic circumstances the emphasis is on the second and third tasks. The consumer and user must be given protection against the greater economic potential of the suppliers, namely through specific sanctions which do not simply represent a setback for those misusing their greater potential but also attend to the complaints of the customer. Since our economic competition is still only in the stage of evolvement, one need not really fear, as yet, a deterioration of the competition. Nevertheless, even today, there are suits in the courts dealing with dishonest competition. The fate of every law is decided by how effective it is in practice. It is a very important question also with respect to this law whether the customers, consumers and users will stand up to the suppliers with greater potential. The realization of the favorable effects, sought after through this law, depends on it. It was 16 years ago that the Hungarian legal system has introduced economic fines, which is a legal institution well fitting the characteristics of the Hungarian economic guidance system. Nevertheless, because of the scarcity of initiatives on the part of the legally empowered organizations, it has hardly been used in practice. Action against the superior potential also depends on the economic situation. If demand is very strong on the market, the customer thinks twice whether he should bring the supplier to court because he cannot foresee how it would affect his future contacts.

[Adam Angyal] As long as an enterprise has a monopoly on the market, this also means superior potential which is exploited, of course. No law, however polished, can stop that. It is not even quite clear to me how we could interpret the concept of superior potential in an economy where, from the start, conditions of inferiority and superiority are created on the market by the management of shortages. It is also appropriate to mention another side of the superior potentials: What legal guarantees do the enterprises have that the state agencies will not abuse their "superior potential?" I am afraid that our economic conditions do not permit our enterprises to fully realize in practice the principles declared in the law.

[MAGYAR HIRLAP] Thereby we have arrived at one of the basic problems of market development: If we want competition, an indispensable requirement is to give equal chances to the market factors--the state guidance organizations, the enterprises and the consumers--which requires appropriate institutions and activities to represent the interests. In this respect, what kinds of duties fall on the Chamber of Commerce, for instance?

[Jeno Zanyi] We can talk about interest representation only under modern management conditions. A representation of interests can only function smoothly if the organizations, whose interests it represents, present truly independent, real interests. Determining the uniform enterprise interests presents problems, however. There are no uniform enterprise interests. It is not by chance that, among the Chamber of Commerce activities, an increasingly important role is given to adjusting the interests among the enterprises.

What we are doing under the label of market supervision and regulation consists primarily of restrictive types of measures. However, market development cannot be accomplished through mere restrictions. Restrictions produce a holding back. In addition to restricting market activity, we also have to resolve the problem of incentives, of interests, and no central measure whatsoever will substitute for it. This is where our trouble lies because the chamber can offer no incentive whatsoever.

Realistic Concerns

With respect to the successful application of the new law, I myself also have realistic concerns. Naturally, the enterprises attempt to solve their problems, first of all, among themselves. The probability is small that from now on they will turn to the courts to solve by decree the problems which they cannot resolve themselves. The dishonest or the honest business behavior is primarily ont a question of legal regulation. Honesty is not a legal, not even an economic, but a moral matter. Therefore, it is not imperative that ethical judgement should go hand in hand with the legal sanctions. Therefore, this problem should be decided not by the courts but by the sphere where the enterprises are active. Unfortunately, under the present circumstances, this has two drawbacks. One: The enterprises do not report their grievances because it is against their interest to have effects show up in the next order or the next delivery proposal. The other problem is that the legal provisos are nonexistent whereby the ethics committee of the Chamber of Commerce could make its rulings public. We could publish our stand only with the assent of the parties, even in the internal paper of the chamber.

But it is also bad that the ethical judgement situation also is not where the bill would find appropriate reception. In 1983, an examination of enterprises by the Ministry of Finance, Chief Directorate of Income, resulted in a written report in 94 percent of the cases which means that only 6 percent of the managers did not commit some management irregularity. The question arises, which group is it better to belong to? Should the

six percent be proud for not having committed irregularities? The majority, the 94 percent, might it not indicate that all of these companies did not "immorally" transgress the rules? Could perhaps the rules pose such demands on them that, in observing them, their activities would suffer? This holds true with respect to both market and other management problems. We attempt to regulate the economy so perfectly that the many regulations become simply unobservable! Under such conditions, the moral and even the legal balance for infringing upon the regulations is undermined since it is impossible to insist on accountability in every case.

[Laszlo Szalay] The concern is being formulated that this law prohibits, restricts, and that the law again is, so to say, bureaucratically built on, almost foisted on the market participants. In my opinion this is not the case. On the contrary, based on the experiences of the past 15 years, we can justly conclude by now that, after the economic reform, protection against the harmful excesses failed to evolve with adequate intensity and through appropriate, modern institutions. Although we had a law on competition, in reality a void has evolved which must be filled creating a sensible balance between management independence and central guidance. During the debate, another important problem was raised, namely, that legality is important not only in the management sector but also in economic guidance. Parallel with the enactment of the law, efforts are in progress which would address precisely this problem. Other points raised were: the framework character of regulation, its generality and the "elusiveness" of superior economic potential. In my opinion, superior economic potential cannot be defined in a bill, in a statutory, exact fashion, it is up to everyday practice to fill out the content.

Legal Guarantees

[Adam Angyal] The goal must be that the enterprises should resolve their problems with each other, and not have the courts and state administrative organizations apply the laws.

[Laszlo Szalay] But if an enterprise uses its superior economic potential in a corrupt manner, then--partly in the public interest and partly in the interest of protecting the involved and the defenseless market participants--the state, as the executive power, must adequately correct the corrupt exploitation of the superior potential.

[Rezso Nyers] A precise and clear law is indeed an important prerequisite for correct market behavior whereby the legal system may promote the emergence of competition; its start, however, can be expected from the economic environment and conditions. Competition has always been a market force to the enterprises because a competitive situation, after all, is also present today; mainly the consumers and users are competing with each other, the producers barely so. This bill should legally establish balance in economic life. I much agree with its goal of realistically taking into account the managers and the spheres of interest

appearing in economic life. It is fundamentally new--had not existed before--that state administrative decisions and market supervisory decisions can be attacked through the courts. This can have a very good effect on the standards of state economic guidance and on preventing unnecessary interventions.

Here, I am joining Comrade Angyal's words. The goals of the law are obviously deterrence and restraint. If, in the course of applying the law, sanctions are resorted to much too often, it is not fulfilling its role as a regulator of behavior. In our case, it would mean that a large number of the enterprises would be dragged to court and punished with varying fines. However, this would have an effect contrary to the law's original goal; regrettably, under the current market conditions, this danger is still present but then we have to get past this situation. I agree with the law's basic goal of providing our enterprises with an incentive toward correct competition on the domestic market because only in this manner can they stand their ground also amidst the strong foreign competition.

[Adam Angyal] But what legal guarantees will the enterprises have that the state agencies will not misuse their superior potentials?

[Gyorgy Kalman] The state agencies can interfere with enterprise activities in the cases and manner defined by the enterprise law and the statutory provision involving market supervision. The question, as to what responsibility the economic guidance agencies assume for interventions not permitted by the statutory provision is not settled by the law on market behavior but by the amendment and supplementation of the enterprise law. The modification of the enterprise law, not in progress, provides that economic guidance agencies which overstep their legal rights to interfere have the obligation of furnishing compensation which is also enforceable through the courts.

Public Opinion

[MAGYAR HIRLAP] Public opinion reacts very sensitively to makret disturbances, for instance, scarcities, the driving up of prices, the misuse of superior potentials. There are considerable forces urging administrative interventions which, in turn, clashes with the reform conception. How can public opinion be won over to more "market-like" management?

[Laszlo Szalay] In case of violation of the contents of the new law, the courts will play an even greater role in the future than they are playing now. In the resolution of market conflicts, enhancing the court function--and I find it important that public opinion be also made aware of it--is an important cornerstone of the better balanced model of state organization; thus, this is a qualitatively different kind of "interference." The court procedure insures completely equal chances to the involved parties. Of course, it is very important that public

opinion be informed about the concrete cases since the cases violating the prohibition of dishonest economic activities will be very varied. The bill even provides for publishing certain cases in the national dailies and thereby for establishing a system of norms involving market morality and economic ethics. In developing such a system of demands, appropriate publicity--the National Council of Consumers, among others--will play a significant role in protecting consumer interests more effectively than today and in developing a good general feeling of citizenship. However, it is also obvious to me that the proper state--especially the control--agencies, the various agencies of social control and the organizations providing consumer protection must prepare themselves for the new task, and must adjust their working methods and working style to the tasks in tune with the contents of the law.

[Rezso Nyers] In my view, from the standpoint of winning over public opinion, three matters...

First, the further improvement in economic information, illustrating the facts from several points of view, in order that broad sections of the public should think like the leadership. Second, the drafting of local (enterprise, regional, institutional) reform programs involving the socially active people. Third, the anticipation that the government will succeed within a year or two in considerably narrowing the market disturbances and in improving the balance between productions and incomes.

In conclusion, a few words about the title of the bill. In my opinion, its content includes much more than the prohibition of dishonest management. If we accept Janos Kadar's advice of four years ago, that things should be named in accordance with their substance then, in my opinion, it would be more appropriate to call it the requirements of market behavior.

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ECONOMIC WEEKLY PRESENTS ROUND OF VIEWS ON COCOM

Budapest HETIVILAGGAZDASAG in Hungarian 25 Aug 84 pp 9-12

[Articles by Janos Avar, Andras Heltai and Ivan Lipovecz: "Steeplechase: Technological Prohibitory Signs"]

> [Text] To all intents and purposes, the United States is increasing the pressure on its allies not to supply high technology or the equipment which embodies it to the socialist countries, which--according to the American argument--can use it to "increase their military power." Washington's efforts endanger not only East-West trade but also technical/scientific cooperation among Western countries--this comes to light from reports which have arrived from Washington, Bonn and Vienna.

Janos Avar: "Washington: Outside the Law"

The anniversary is drawing dangerously close: on 30 September it will be one year since the 1979 American trade development law expired. Nor has a new one taken its place since then.

News about the bewilderment and misgivings of countries allied with the United States arrives daily from the European shore across the ocean. They perceive the Reagan government's pressure to restrict East-West technological trade, and they do not know what to do. After all, in Washington there is still no final version of the law to whose restrictive measures the American authorities now obviously like to refer. In the meantime the U.S. government would like to avoid an embarrassing preelection squabble with the leading allies and a repetition of the gas pipeline embargo debate, and the West Europeans know this.

A recent event in Belgium illustrated this state of suspense very well. Washington would sooner dip into its pocketbook than see the establishment of a machine tool trade between Belgium and the Soviet Union. The Belgian manufacturer mentioned that it would go bankrupt if it had to cancel the Soviet order. This is why the Pentagon bought the machines--which do not represent the ultimate in high technology--for the Belgian army.

The trade law would have the kind of teeth--which the Pentagon and the U.S. Department of Defense are pressing for--with which a really large bite could be taken out of East-West trade, if its force should ever spread to the European subsidiaries of American firms and if it were able to tighten control over the East-West exchange of goods. If the Senate's rougher version of this law should become definitive, then in all probability more than verbal sparring would result from the present discussions. The governments of U.S. allies have never before lobbied as much on behalf of a law as they did in the spring and at the start of summer. And in this they had no less an ally than Secretary of Commerce Malcolm Baldridge himself.

The commerce secretary notified the members of Congress that he would rather nothing came of thenew law than see his office lose control over the critical area and relinquish it to the Pentagon and the customs office, which is under the authority of Treasury Secretary Donald Regan, who is known as a hardliner.

Naturally, we are not talking at all about a struggle over spheres of influence but rather the clash of two concepts about technological trade between East and West. In fact, the Pentagon's civilian brain trust, which is known to be more bellicose than the generals, does not even look favorably upon a minimum of technological trade; it contends that Western exports help to improve the Soviet war industry. As Secretary of Defense Weinberger has often put it: "The West itself is upsetting the military balance through sales of technology." This, of course, has been debated for a long time by many people on both sides of the ocean, especially in times when the balance of foreign trade has been at least as great a problem. It is clear that if the Pentagon should win the tug-of-war, the sales possibilities for American exporters would soon dwindle even further, and the storm forecast over the Atlantic would erupt.

Andras Heltai: "Vienna: the Wounded Party"

The american WALL STREET JOURNAL, which appears in Europe, published a two-part series of articles under the headline "A Lost Battle" at the beginning of July. According to the newspaper, the United States and NATO have lost the battle in Austria because in pursuance of the most up-to-date military objective the neutral country does not supervise the export of usable technology "to the East." The reliable and prestigious periodical wrote in an unusual manner that its informants, representatives of the American government, "dislike the Russians and positively loathe the Austrians for the above-mentioned reason."

The surprise attack roused indignation and perplexity in Austria's political and economic circles alike. The accusations and tone of voice were all the more surprising because the always coreial relations between the two countries have been promoted since last year by the extraordinarily dynamic American ambassador in Vienna, in the person of Helene Van Damm, who is of Austrian extraction. Relations between the two countries have never been as good as under the "go-getter" ambassador according to the Austrian press.

When VOEST, a large and state-run heavy industry concern, planned a joint electronics undertaking with the firm American Microsystems 2 years ago, the Washington government agreed to the transaction only after lengthy and confidential discussions. The condition which Vienna accepted: the Austrian Trade Ministry undertook self-supervision, it confirmed the "irreproachability" of the firms buying modern technology from the United States, and then it saw to it that this technology did not leave the country. According to the INTERNATIONAL HERALD TRIBUNE, however, since May the Pentagon has been able to supervise the American export permits issued for the 15 "suspicious" countries--and Austria is on this confidential list. After these preliminaries, the WALL STREET JOURNAL followed with its open attack.

Ferdinand Lacina, Socialist Party member and State Secretary for the Chancellery, under whom state industry also falls and who personally went to Washington earlier to negotiate, stated that Austria's goal is not to be the subject of complaints in questions of borrowing technology--yet as a neutral state, it cannot take NATO regulations into account, much less accept the idea that it is not to dispose of its own technology where it sees fit. Naturally, for historical reasons, the country conducts a brisk trade with the East--just like the American firms which, even with Viennese headquarters, pursue the same activity.

The managing director of the directly affected GMF Works of Styria described the American charge that the factory shipped gun barrels to Eastern Europe as "complete nonsense." Their primary export articles are metal-processing machines which, of course, can be used for different purposes, but they have a big market in India and half the exports are directed at the United States. What we are talking about, however, is 100-percent Austrian--not American--technology. As far as the exports of VOEST or the third "culprit," Plansee Metalworks, are concerned, they conform to the obligations undertaken towards Washington, according to the official Austrian standpoint.

Washington has apparently sounded retreat in response to the vehement protest from Vienna: the State Department and the Commerce Department insisted that the tone of the WALL STREET JOURNAL article does not reflect the government's position and that the "subordinate officials" from whom the information stemmed will be taken to task. In any event, teh transatlantic undersecretaries have not retracted the main points of the accusation, and this has given rise to considerable uneasiness in the Austrian circles affected. All this can cause increasing difficulties for Austria first and foremost. Just recently the government set up an agency for the express purpose of attracting modern American technology in the form of factory settlements and cooperation to Austria. The spectacular attack by the prese hardly makes this work easier.

Ivan Lipovecz: "Bonn: Transmission Out of Question?"

Leakage of a secret document produced moderate excitement in a Bonn duly yawning from fatigue caused by late-night Olympic broadcasts and from the politically dull season of August. It came to the attention of a few journalists that since June the national government had had in its possession a study prepared for internal use, from which it came to light that most recently the United States has striven to keep from its West European allies American knowledge obtained in the field of so-called high technology and the equipment produced on the basis of it.

The study bearing the title "U.S. Restriction of the International Transfer of Technology" is in large part the intellectual product of one of the workers at the FRG embassy in Washington. He draws his conclusions mainly from the increase in strictness of the American foreign trade law or export permit system. Consequently, there is fear that in the future the FRG will not come into complete possession of American state-of-the-art technology.

It happened just this spring that permission to ship a large-capacity computer to a West Berlin institute was granted only on the condition that the city senate or the Bonn research ministry agreed to oversee the computer's application so that it was not used for tasks which differed from its original purpose. The Munich MBB (Messerschmidt-Bolkov-Blohm) aircraft company recently complained that the Americans had not delivered certain technical components for space research--which, among other things, made it difficult for them to interface with the Space Shuttle program. The author of the above-mentioned study is aware that Washington has already prepared the new export regulation plan which would make the shipment abroad of all data connected with semiconductor technology dependent on the current authorization of the Defense Department.

The affair's background is completely unambiguous for all those concerned. The United States is turning the technological "screw" to make it utterly impossible for the allied countries to transmit modern technical advances in any form whatsoever to the Soviet Union or the East European countries. Since with respect to expansion of the so-called COCOM list the partners are trying to resist American pressure, Washington is choosing a more reliable path. By means of its own national legislation it automatically prevents the newest information and products from falling into "foreign hands." According to experts, it has been noticeable for some time that American specialists are less willing to provide information about the results or even the direction of their research and wrap themselves in complete secrecy at any convention where they find out that, among those attending, representatives from the socialist countries are to be found.

This conduct bothers the West Germans immensely: they feel that their loyalty to the allied cause has been challenged and, in addition, that they are distinctly and disadvantageously discriminated against in the international economic footrace. The products of FRG high technology--aside from where they are exported--depend much more on imported American articles and technology than do Japanese products, let us say. In other words, in West German technical merchandise the percentage of independent progress is smaller and the percentage of borrowed knowledge is greater. If it now becomes more difficult to borrow, it is feared that important branches will lag behind.

"We are watching U.S. policy with growing uneasiness," stated the director of a nationwide organization of wholesale and foreign trade dealers. According to him, moreover, if the Soviet Union or anyone else wants to get hold of American technology, there will be a way to do it in the future, in roundabout ways at least. "If one firm can't provide it directly, other channels will be found," he said.

The FRANKFURTER ALLGEMEINE ZEITUNG--this newspaper certainly cannot be accused of anti-Americanism--calls the United States' behavior outright "technological protectionism," which must be fought against. Less clear, however, is how this is to be done. After all, not a single partner has substantial influence on American legislation. It is therefore better to display "good behavior."

This is a reference to the fact that the responsible agencies in Bonn immediately referred the export permit request of the Stuttgart SEL (Standard Electrik Lorenz) to the COCOM authorities. SEL would like to sell Hungary a digital telephone exchange worth 30 million marks. A foreign trade permit suitable in the FRG was required for this. (Even though--as I found out from the enterprise--computer technology was not involved.) In any case, telecommunications equipment falls into this category.

However, there is still another possibility, which the British availed themselves of when President Reagan wanted to torpedo West European participation in construction of the Siberian pipeline. This was a matter of national jurisdiction which would exempt the American firms' subsidiaries from the force of steps taken by Washington. West German Minister for Economics Bangemann did not rule out this possibility at his most recent press conference. Yet it is improbable that serious thought would be given to it on the official level. After all, even the social liberal Schmidt government did not attempt such a thing in its time.

COCOM Mysteries

News services recently reported that COCOM (Coordinating Committee for Multilateral Export Controls), the committee of leading capitalist countries which oversees exports to the East, had updated its prohibitory list

valid with respect to the socialist countries. The committee, which includes Japan and all the NATO countries except Iceland, removed small computers available today in Western hobby stores from the prohibitory list. So from now on, for example, the IBM 4300 family of computers, the Apple II, the Hewlett-Packard HP-140 and the Sinclair ZX-81 can be freely exported. At the same time, the export of telecommunications equipment and minicomputers and superminicomputers capable of greater and greater performance will be supervised more rigorously.

COCOM has placed the articles and technology subject to export restrictions in three groups. Appearing in group "A" are weapons and other implements of war, in group "B" nuclear installations and in group "C" modern computer and telecommunications equipment, components and technology which can be used for both civilian and military purposes. The products and procedures on the first two lists are subject to a general embargo. In the case of the third list, judgment is problematic: the decision to observe or disregard the embargo depends on the magnitude and character of the individual East-West transaction. The decision to modify the prohibition on exports of computers, technology and telecommunications equipment belonging to this list took place in Paris at the end of July.

How can the COCOM committee verify implementation of its decisions? Its operations take place behind a curtain of complete secrecy, and yet this much has filtered out: the secretariat which operates at 58 La Boetie in a building belonging to the American embassy in Paris has scarcely a dozen highly qualified researchers and functions on an annual budget of half a million dollars. The American Defense Department is only now demanding that the COCOM secretariat obtain an independent computer. They operate very efficiently in spite of this. Representatives of the participating countries hand down their decisions unanimously, though after lengthy debates, and anyone who does not comply with them is automatically expelled from this "club," which was founded in 1950. At the regular gatherings--a meeting for routine matters is held weekly and there is a highy-level conference of the 15 countries' representatives once or twice a year--the lists are "attended to" and afterwards the member countries incorporate the changes into their own national laws.

In the FRG, for example, the exporter applies to the federal office of industrial economy for an export permit if the product he intends to sell appears on any West German prohibitory list compiled by COCOM. If necessary, the office consults with the ministries of economics, defense and foreign affairs in Bonn and, if need be, forwards the request to Paris where its fate is debated and decided at a session of COCOM. Between 1977 and 1980 alone COCOM permitted West Germany to export 800 million dollars worth of merchandise to the socialist countries. As was revealed in Bonn, COCOM put its seal of approval on goods worth roughly 4 billion dollars altogether during these 3 or 4 years. Nothing is said about how much revenue the Western enterprises were deprived of due to COCOM's vetoes.

NEUE ZURCHER ZEITUNG: "What Good Is the Embargo?"

There is a lively ongoing debate about the export of capital goods to the East. According to opponents of this trade, the East can in this way reduce its technological backwardness and--what is even more objectionable--use a considerable portion of the products imported from the West for military purposes. Trade with the East is extremely valuable to the Swiss, since Switzerland--outstripping the United States--is in fifth place among sellers of advanced Western technology to the Soviet Union.

In the first part of a study prepared within the framework of the OECD's "East-West Technology Transfer" program, the conclusion is reached--it will undoubtedly provoke many discussions--that technology transfer in the narrower sense, i.e., the sale of different machines and equipment, is not all that important, and the embargo in the area under debate does not make much sense. The study's two authors thus come out against the restrictions called for again and again principally by the Americans and support their opinion with various macroeconomic surveys and econometric analyses.

The OECD report also takes a good look at the invisible--i.e., not embodied in machines--effects of technology transfers. On this basis it comes to the conclusion that in all probability the purchase of capital goods is not the most important channel for acquisition of Western technology and know-how. The socialist countries can accelerate their research and development progress through the direct purchase of manufacturing processes and licenses. Over and beyond this, they can obtain enormous quantities of scientifid and technical publications in the West. The authors of the OECD report believe that this Western knowledge can be acquired virtually without restriction, and control in this area is very difficult.

The study's other decisively important conclusion is that the significance of imported Western capital goods is substantially greater for the smaller member countries of CEMA than for the Soviet Union.

Nor, according to the OECD experts, should the importance of Western technology be overestimated, because the time which elapses between buying a machine and putting it to satisfactory use in the socialist countries is two or three times longer than is customary in the West. It can therefore happen that imported technology has already become obsolete the moment it is put into service.

FINANCIAL TIMES: "COCOM's Test Is the Transaction"

Standard Electrik Lorenz (SEL), a West German subsidiary of the American concern ITT, received a letter of intention from Hungary and an order for delivery of digital telephone exchanges in the amount of 300 million marks. The test of the transaction may be how the West regulates the export of modern technology to Eastern Europe.

Last month the 15-member Parisian COCOM committee, which regulates trade with the socialist countries, came under strong American pressure to postpone the sale of modern telephone exchanges to the socialist countries until at least 1988.

Shortly after announcement of the COCOM prohibition, the British companies Plessey and GEC as well as the Swedish firm of Ericsson withdrew their offers to deliver telephone exchanges to Bulgaria because they thought they would be unable to obtain export permits.

Yet at the ITT European headquarters in Brussels it was reported that SEL or rather ITT was doing its best to find a way to satisfy both the wishes of customers and the directives of COCOM.

ITT hopes that SEL will ask the West German government to obtain the other COCOM members' endorsement of the transaction. Getting this kind of approval will not be easy, because unanimous support is required in the committee, of which, in addition to the NATO states, Japan is a member.

According to all indications, ITT hopes that even if immediate approval of the deal is denied, it will manage to persuade the COCOM members to give the transaction the green light if it agrees not to deliver the telephone exchanges until 1988. The COCOM members decided in principle, namely, that the export restrictions will be relaxed after 1988 and deliveries of telecommunications equipment will hinge on the governments' decisions. Undoubtedly, if an exception is now made for ITT, a protest may be lodged by the manufacturers which refused to fulfill the Hungarian orders after the COCOM decision. Ericsson and Northern Telecom of Canada voluntarily withdrew from the competition for Hungarian orders after announcement of the West's export restrictions. France's CIT Alcatel, West Germany's Siemens and Holland's Philips has dropped out of the competition earlier.

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MINISTER SEES DIFFICULT FUTURE FOR AGRICULTURE

Budapest PENZUGYI SZEMLE in Hungarian No 8-9, Aug-Sep 84 pp 594-600

[Article by Jeno Vancsa, Minister of Agriculture and Food Industry: "About Further Development of Economic Management in Food Production"]

[Text] The minister in his introduction indicated that due to the shortness of time he will not be able to deal with all areas under the portfolio's management. He concentrated what he had to say primarily on agriculture and the food industry. Thus he did not separately deal with forestry and lumber management nor with the specialty enterprises. Naturally the organizing principles which have been developed cover this area also, said Jeno Vancsa, then this is how he continued with his speech:

"I would also like to dispense with repeating the already known general guidelines. And one more remark: considering that we are only at an intermediate station of a multiyear process, I cannot report, of course, on final and completed agreements. I will speak about our goals and efforts. We still have difficult coordinating before us with the fellow portfolios and institutions, before the final governmental decisions will be born."

This is what the minister said about the reform of economic management and the results of the time since then: We consider the improvement of economic management in the agricultural branches also to be a continuous task which had and will have significant "center points," stations. One such was also the period of 1967-68 when we took decisive steps to develop the conditions necessary for the independent economic operation of the cooperatives. Our results prove the success of the measures we took at that time. At this time let me just indicate that through the consistent implementation of the agricultural policy the growth of agricultural production has accelerated and at the same time became better planned than it was in the earlier directive system. In recent years--and this is a big result--besides the uniformly good domestic supply the agriculture's export increased four times faster than the production rate. The contribution of our branches to the national income increased in this time period, and with the exception of last year when we had a drought the profit of operation also increased in our agriculture.

All this took place in a time period when the economic regulation dictated stricter and stricter conditions for production. In the last 4 years agricultural producer's prices increased by not quite 20 percent, and the price of

materials and equipment of industrial origin used in agriculture by almost 40 percent. With the material and technical conditions of production becoming more expensive, agriculture's payments to the budget increased by 14 billion forints between 1978-1983, while in contrast with this support by the state increased by only 1.5 billion forints.

All this clearly indicates that an agriculture has developed in our country as a result of the socialist reorganization and of the 1968 economic management reform, which is able to bear large burdens and solve big tasks. And today as well as in the coming years we have plenty of tasks ahead of us. To mention nothing more this time than what was clearly defined at the most recent high level meeting of the CEMA countries: everything must be done in order that the production of the member countries would cover the demands in the basic foods. This gives us tasks in developing production as well as improving production's profitability.

Thus expanding the resources which can be opened up by further development of management is indispensable in our branches also, because the reserves of our growth are becoming exhausted; maintaining and continuing the restrictive measures of recent years would endanger exploitation of our production potential and even its preservation, and would represent stalling in the material and technical growth of the next plan period which would be difficult to repair. Primarily because of this we approve that basic idea which permeates the guidelines, according to which instead of measures affecting the distribution of the goods produced, steps must be taken which encourage increasing them.

When we plan and concretely implement these steps we follow the general principles and solutions of the regulatory system's further development, but we cannot ignore implementation of the requirements which derive from the characteristics of the branch and from the agricultural policy either, which differ from the general requirements.

The minister said the following about the characteristics of the branch: our country's given natural conditions are favorable for agricultural production. An internationally high ratio--over 70 percent--of the country's land area is land which can be used in agriculture, and almost all useful crops of the temperate zone can be grown on it. This huge resource cannot be left unused: it is worth using and it is our obligation to do so.

In spite of all this our operations enjoy a rather whimsical distribution of this natural treasure: 100 major agricultural operations are operating on land of poorer than 10 gold crowns per hectare [1858-1866 tax measure] quality, but 300 farms have land better than 25 gold crowns quality. Besides land quality our operations are also characterized by strong differentiation due to other factors whether we look either at the yields achieved or the size of the enterprise's or personal incomes. It is typical that in 1983 one-third of the farms had 60 percent of the development funds generated in the profit branch, while 850 farms shared the remaining portion.

In many respects it is a definitive circumstance that agriculture and even the food industry is composed of several sectors. The state farms produce 20 percent of agriculture's production, producer cooperatives almost 50 percent, and

one-third is produced by the household plots and other small producers which include every group of the population. The role of the largely integrated small-scale production which is tied to the major operations with thousands of ties, is significant mainly in poultry and hog production as well as in vegetable and fruit production. In processing the council-managed food industry is also present besides the so-called ministry-managed food industry, and food processing by the cooperatives and state farms is also playing an increasing role.

The production structure of our agricultural operations is also unique. Besides the multicolored character of crop production and livestock raising, the auxiliary activity which extends over various branches of industry--food industry represents the largest ratio--and other industrial branches, commerce and services, satisfies indispensable demands of the national economy. This has about 35 percent of the total production value of the agricultural operations. Even though food production is increasingly export-oriented, the domestic population consumes three-fourths of the food produced in raw or processed form. The decisive majority of foods gets to the consumers in stored, selected, packaged and further processed forms by the food industry. Actually the food industry enterprises "serve" the decisive majority of the foods produced to the population, and from this viewpoint also we have a large share of the responsibility of the standard-of-living goals.

The basic task of food production is to preserve well the level of supply which has developed and to improve it. Foods--mainly the basic foods--cannot be considered as one item among many. The food supply has an especially important role in implementing the standard-of-living policy and maintaining the good sense of society's wellbeing. But from this follows also that the possibilities of passing on the costs are limited in our branches.

Agricultural production--in spite of the industrialized production--is a live labor intensive activity. The extent of this varies with the branch, sector and--depending on the product--also on the year and even the season. But that much is fact that the ratio of expenses related to live labor exceeds the national economy's average significantly, compared to the other costs as well as to the profit. The fact indicates this among other things that the ratio of wages with respect to production value is twice as high in agriculture as in industry.

It is well known that after the 1968 introduction of the economic management reform the new elements of management in many cases spread faster and more universally in agriculture. This could have happened also because the cooperative sector has a greater weight in agriculture. During the course of further development of management in many respects we wanted to adjust to the requirements by building on the experiences gathered in the cooperatives. We consider it one of our important tasks to strengthen the vertical approach, we expect to improve cooperation between agriculture, the processing industry and food commerce, and in order to promote this we intend to decrease the differences in regulation. Within this framework we plan to expand the interest in gross income.

Jeno Vancsa began to outline their main efforts by the development of the price system, then this is how he continued his speech: As a result of the characteristics of our branches, the price system set by the authorities will remain

lastingly in the area of food production. Producer prices must continue to be built on the domestic expenditures, but the value judgment of the export markets must be given a more significant role in shaping the price ratios and price differences.

In the interest of increasing the orienting role of the prices:

--in some cases it is justified to decrease state subsidy to agricultural production and to the consumer food prices and increase the weight of the prices within the economic regulators;

--strengthen the flexibility of the price system so that agriculture would become able to absorb the price fluctuations which accompany the expansion of a competitive pricing system, and react faster to the market changes;

--simultaneously with further developing the qualification methods the harmony between quality and price, and wholesale buy-up price differentiation adjusting to the inherent value must be increased (for example, improving the method of qualifying hogs; developing a price system which adjusts to the meat yield from slaughter cattle, oil content for sunflower).

But more consistent implementation of the principle of price conforming to quality is also considered an important requirement in the case of materials of industrial origin used in agriculture. We must say in this area that beyond improvement of the quality parameters of materials used in agriculture we expect also quality improvements of the materials used in the food industry (packaging materials, spices, etc.). This is one of the conditions of our exporting ability.

Since 70 percent of the materials used in the major agricultural operations are not of agricultural origin, their quality--and let us say it right out--their competitiveness increasingly determine agriculture's competitiveness also. This quality factor also largely determines the rate of cutting back the state subsidies connected with the production equipment. Permit me one example: calculated in active ingredients, in 1983 agriculture used 1.6 million tons of chemical fertilizers. About 15 percent of this is lost prior to application because of the problems in transportation, loading, warehousing. A significant portion of the chemical fertilizers (powdered superphosphate, cast urea) is of extremely poor quality even by domestic standards. All this together significantly lowers the efficiency of the cost spent on chemical fertilizers. Quality improvement would make it possible to decrease, to cut back subsidy.

Gradual further development of the agricultural pricing system refers also to the price forms and price mechanisms. At the same time the standard-of-living policy considerations are expected in the future also to set limits for the free price movement of foods--first of all the basic foods. This fact will naturally have an effect also back on the development of the agricultural producer prices.

Under such circumstances we cannot expect decisive changes in the coming years in the price forms of agricultural products.

However, in the cases of a few products (for example, staple rye, rice, potatoes) we feel that modification of the present price form and listing it in the free price category should be examined. Progress is also necessary in the areas of the actual functioning of the price formats, better utilization of the present limits of the pricing mechanism, as well as price differentiation according to quality.

The quality and utility value of the main agricultural production tools--machinery, chemical fertilizers, crop protecting chemicals, protein and grain feeds--must have strong influence on the way their prices develop. Their prices may rise to the same extent as the rate at which productivity can increase with their help. In the contrary case the farms and enterprises cannot maintain their ability to produce. Naturally the way efficiency develops and maintenance of the ability to produce are influenced by production organization and the quality of equipment and material utilization. We must continue in the future also to deliberately seek out and make use of the reserves concealed in organization and more rational expenditures, but at least this deliberately we must also endeavor to improve the quality of the equipment entering into the agricultural branches. The tendency must be changed according to which the price of production equipment approaches the world standard but its quality in many cases falls significantly short of it. Changes must be made first of all in a way that the quality of production equipment should also better approximate the world standard. There are already a few industrial enterprises which fulfill this requirement, and it is necessary to make their example universal.

Our actual price steps next year will be determined by the size of the expected additional costs. Our efforts are aimed at making the production units of our branches absorb these increases by improved economic operation. But what at the present level of preparedness--and this should be interpreted as the level of the materials, tools, and the standards of the equipment part also--cannot be absorbed, will have to be counterbalanced in accordance with our production policy goals in a differentiated manner though, but by increasing the producer prices. In some of our critical branches--where the desire to produce, to raise livestock has noticeably declined--significant improvement of profitability is needed by minor reorganization of the branch's incomes. We are referring primarily to strengthening the position of slaughter sheep, slaughter cattle, sugar beet, certain types of vegetables and fruit.

This is what the minister said about earnings regulation: Because of the diverse given natural conditions in agricultural operation, significant differences can also be found in the level of economic operation, thus the income differences among some major operations are significant also for objective reasons. This fact as well as the one that the production structure is multifaceted and varies strongly with the farms and regions, calls for several kinds of formats of earnings regulation.

In my judgment the centrally determined wage level regulation should be terminated as early as the beginning of next year, if for no other reason than because it conserves the earlier methods and solutions of economic operation. We offer other formats--proven during the course of the experiments--for general adaptation. We are doing so naturally with the suggestion that our enterprises and

TSZs [producer cooperatives] select among the various formats--of course, for several years--on the basis of their own decisions the one which promises to be the most suitable under their circumstances to mobilize the production reserves.

One of the formats is wage volume regulation combined with efficiency index. The change in added value could be considered efficiency index. The wage volume would increase (possibly in a differentiated manner) by a definite extent with every percent change in this. With this earnings regulation format the economically weaker operations and the ones with mediocre profit levels would also gain greater maneuvering space. This format provides vigorous incentives to make the production structure more economical, have better discipline and more rational manpower management.

Wage level regulation which depends on the amount of per capita gross income (which has been functioning well now for the second year in a row) may open up new rational production improvement sources in the more profitably operating major operations.

Even on the basis of the first year's experiment, taxing earnings in large-scale operations which includes all wages paid in taxation provided good experience. This form of earnings regulation eliminates the base theory, and urges the farm's managers to evaluate systematically and consistently: is the wage proportional to the value produced, the profit. At the same time this encourages more careful and efficient economic operation.

The minister said the following about income regulation: Many kinds of income regulation systems are coexisting next to each other in the national economy now. Standardizing these, bringing them closer to each other obviously cannot be a selfish task. However, where the sameness of competition's conditions or promoting vertical cooperation (integration) requires this, we must act without delay. In this spirit in our branches--in agriculture and in the food industry--besides standard management we consider it expeditious to also operate the identical income regulating system as soon as possible. We would like to implement a significant portion of this goal already in 1985, by including the individual specialty branches of the food industry into the agricultural income regulation system. It is justified to operate the forestry management also according to the agricultural regulation, even more so because about 40 percent of the forest area is managed by agricultural operations.

In the interest of developing the live labor-intensive crops in agriculture and because wage costs are higher than industry's average, in order to protect certain specialty branches in the food industry we do not consider it a passable path to make live labor even more expensive. In the horticultural branches--grape, fruits, vegetables--we cannot worsen the competitive conditions of the major operations.

We have specialty branches in the food industry where they have been unable to absorb the effect of the forced restrictive measures of earlier years (for example, the energy cost increases in the sugar industry, interest rate changes because of the increasing debts of earlier years in the meat industry, and

because of the inventory tasks in the milling industry) and thus the measures which relay further efficiency requirements trigger contrary effects. In these areas we must also examine the possibility of improving profitability by central measures.

Agriculture's present tax system also functions basically well.

With certain modifications we wish to maintain taxation based on the interest in gross income. With the changes we endeavor primarily to have the burden carried more fairly.

Our major operations in 1984 are paying about 1.8-1.9 billion forints of land tax. We do not desire to modify the extent of the land tax in 1985. But over the long term it will be necessary to strengthen the function of its differentiated removal of income. It will be expeditious to tie the measures in this direction together with the activating of the new land evaluation system. The production tax is a special element of the agricultural tax system, and is designed to remove the so-called sector differential which appears at the auxiliary activities and results from the different regulation. On this score the major agricultural operations are paying the budget almost 7.5 billion forints this year. Inasmuch as the essential difference between the agricultural and the general enterprise income regulation systems will remain, the production tax will continue to be the most suitable to remove the excesses resulting from the actual difference of the sectors. The extent of this can be determined by taking into consideration the approximation of the financial conditions to each other.

Taxation of the small-scale agricultural production has basically been working, and we have no intention of changing it. Our earlier negative experiences and the appreciable role this sector plays in the domestic supply, warn us of this. The market sensitivity of small producers is many times higher than that of the major operations. We may cause declines of such proportions even by a slight increase in the severity of the economic conditions (for example, in vegetable production, hog and poultry raising or in the export, but also in other areas) that even at the cost of significant investments by the major operations we could counterbalance it only in several years.

We agree with the gradual but differentiated moderation of the subsidies connected with production and consumption. As far as the consumer price subsidies are concerned it is primarily a political question, more concretely one related to our standard-of-living policy, and I do not wish to deal with it here in detail. Our basic position is that in the final analysis the justified extent of increasing the production costs--within the boundaries of the consumer price plan--must be admitted in the consumer prices.

The situation is more complicated in the case of direct and indirect subsidies connected with production. The existence of this circle of subsidies amounting to about 14 billion forints is justified in part by the already mentioned often objectionable quality of the production equipment used in agriculture, and in part by the low profit content of the wholesale buy-up prices. Considering that these basic reasons cannot be eliminated in the near future, and in addition--because of the fight against inflation--we do not want to cause

tension in the producer and consumer prices even more by decreasing the subsidies, we are making a concrete proposal only in a narrow circle for the decrease of subsidies. In this sense cutting back the subsidies in the prices of crop protection chemicals and protein feed could be considered, which alone would have the effect of increasing the producer and in the final analysis the consumer prices by 2.5 billion forints.

We treat subsidizing the operations with unfavorable natural conditions as a separate problem area of great significance. Starting out from the point that we also need the products produced by this group of operations, and that we must care about the livelihood also of the population which lives here, we consider this element of our subsidy system to be stable and one which also can be maintained over the long range. Naturally the system of subsidy and its sizes must change to conform to the needs of the times. Our nearest task is to better coordinate the price subsidy given to these operations with our pricing system. Considering that the centrum of the wholesale buy-up prices is built on cost-yield relationships typical of 20-21 gold crown quality lands, we consider it expeditious to expand the group of operations assisted by price subsidy and to continue to differentiate the extent of the subsidy available according to land quality. We think that the other forms of support to farms with unfavorable given natural conditions can be maintained with minor modifications.

Speaking about the regulation of development, minister Jeno Vancsa emphasized: It is well known that the profit content of agricultural prices is low and in a number of branches provides no coverage for expanded regeneration. Therefore long term support will also be necessary for certain agricultural investments. This conclusion is supported primarily by two facts:

--for a long time to come, our standard-of-living policy will not make it possible to implement value-proportional prices;

--the products we export are competing with the goods of producers on the foreign markets who enjoy greater assistance than we have in Hungary, and their interests are also protected by discriminative measures.

It must be added to all this that in some cases support for the individual investments may produce better results than increasing the income content of the prices. We will endeavor in the future to concentrate the investment assistance on achieving long term goals which are important to the national economy. In the present system it is expeditious to support protection of the producing land and improvements aimed at increasing the ability to produce. It is justified to extend the assistance also to irrigation development connected with improvement. Among the other goals we would like to maintain differentiated assistance to establishing new crops and assistance for certain specialty machinery. Further, we consider it necessary within livestock raising to assist raising cattle.

Obsoleteness of the infrastructure is a big problem in agricultural as well as in food industry production, which noticeably limits the improvement of efficiency, decreasing the sources of loss, and in many cases also hinders rational

utilization of the producing capacities. It is therefore expeditious to also support investments which will serve to ease these problems--such as road construction and warehousing.

To our partners we suggest that we should enrich the system of tools for supporting the agricultural investments. We are thinking primarily that along with concentrated maintenance of the direct assistance, greater significance must be given to support by means of refunding interests.

We must agree that the investment purchasing power must t
plan's limits. We approve that if possible the tools mad the tools made by
tion of the past should be eliminated as early as 1985.
the solutions to regulate the investment purchasing power which will go into effect to replace these, the accumulation tax is the most suitable one for the characteristics of our branches. But in setting its extent consideration must be given to the effect the past measures to decrease resources and the other regulation modifications had on the development resources, as well as to the chances of implementing the investment goals which continue to be preferred.

This is what the minister said about export regulation: We must start out from the point that according to the projections of the Seventh 5-Year Plan which we know today, our tasks of obtaining foreign currency will not decrease in the near future either. Thus we also cannot decrease the production and export of agricultural products which under our natural conditions are less competitive but significant in earning foreign currency.

Thus in agricultural export an increasingly sharper tension of contradiction exists between volume and the profitability requirement. Let me mention some data to illustrate what has been said.

In the last 5 years our nonruble-accounted export increased by nearly 60 percent. With this the share of agriculture's export in the national economy's nonruble accounted export approaches 35 percent. But while the export sales income increased dynamically, our opportunities to increase profitability were limited. Thus the foreign currency production index at cost level deteriorated. Ruble accounted sales increased even more vigorously, by nearly 90 percent, and our share increased from 14 to 16 percent.

Fulfilling the tasks our branches have to do demands from the equilibrium requirements in the future that we maintain the export incentives in both relations. Within the framework of further developing the export assistance system we consider it justified to increase the ratio of normative support at the nonruble accounted export. And in the case of the ruble accounted export the general assistance system based on the suggested coverage ratio can be introduced after the bookkeeping conditions are gradually created for it. Therefore temporarily at the ruble export of agricultural products we expect to keep the present support system.

As far as market control is concerned, we agree--said Jeno Vancsa--that market control should be coordinated by one central organ, the National Material and Price Office [OAAH], but it should carry out its concrete activity in a reasonable distribution of work with the branch ministries. In this area we

continue to consider it important to solve such tasks as, for example, regulation of product sales, in some cases specifying contingencies, minimum inventory levels, refrigerated warehouse space management, development of standards, price regulation, etc.

Our experience is that in each year with a good crop the relative product abundance causes almost as big a problem as the shortage of goods did before. For the purpose of preserving the interest of the producers we must take care of reasonably handling the temporary product surplus. So far the Intervention Fund operated by the MEM [Ministry of Agriculture and Food Industry] has proven to be a very modest means for this. We are convinced that we can intervene in the market relations only if we also accept its financial consequences. Therefore we consider significant expansion of the Intervention Fund necessary, and simultaneously with this its operating mechanism must also be modernized.

Discussing the new formats of enterprise management, Jeno Vancsa emphasized: We build the direction and spirit of our efforts on the favorable experiences gathered in the cooperative movement. Based on this we have also taken steps in the recent past to modernize the organizational system. Thus, for example, the AGK's [National Center for State Farms] organization has been modified, we closed down several trusts and major national enterprises, reorganized the management of lumber production. And a large number of institutions and research institutes which serve agriculture was changed to enterprise format which creates greater independence and operating opportunities. The ratio of large, medium and small operations which has developed provides the appropriate framework for flexible adjustment to the market's changing demands. In the newer stage of modernizing the organization system, decisions must be made about the management types of 240-250 state operated enterprises among the approximately 1,800 economic operating units in our branches. According to our plans we will place 25-30 enterprises into the national administration management format. These enterprises produce food of basic importance. In some branches their supply activities extend over the entire country and they also handle tasks which derive from our defense obligations. There are integrated centers among them which are keys to growth in a given vertical. We are planning to list about 60-80 enterprises into the type managed by the enterprise's council--taking into consideration the circle of activity, employment, regional division and the possibilities of operating the self-government format. The remaining approximately 160-180 enterprises would be in categories managed by leadership chosen by the collective, where in our judgment the broadest circle of self-government can be accomplished. By the way the new management formats, exercising the operating and employer's rights over the socialist property are not unknown at all to the state-operated enterprises active in the agricultural branch. There are 1,500 cooperatives, joint enterprises and partnerships active in agriculture which have been operating even before now in this or similar systems. The food industry enterprises and state farms were not only neighbors of these units but also members of their joint undertakings. And as such they worked together in actual production. Thus they also gathered direct experience about the system implemented in the producer cooperatives.

The change can be made to fit well also into the MEM's activity. Not only because management of the producer cooperatives took place even before mostly by methods like the one we now want to make universal in the entire food

production, but also because for 4 years we have been making a deliberate effort to vigorously increase the independence of enterprises by eliminating the trust organization, and by modernizing the internal management mechanism of the remaining trusts and major enterprises. The experience gathered in this area shows that the enterprises can utilize this greater independence. The greater responsibility which accompanies greater independence can also be felt well in their work.

We consider it extremely important that in every economic operating unit in our branches the essence of the change be understood: to encourage production and economic operation, to formulate the producing activity in such a way that it will be truly of high level. Reconsideration, improvement of the enterprise's internal operating mechanism is indispensably necessary for this. Such internal organization, operating system must be developed in our agricultural, food industry and forestry operations which creates greater than the existing interest within the enterprise, for everybody without exception so that everyone would solve his task with the greatest consciousness and responsibility.

The already mentioned new enterprise management formats also serve this purpose among other things. Among these formats the state farms, food industry enterprises and forestry operations are most familiar with the experience of the chosen leadership's operation. They know it from the experience of the producer cooperatives. This can be felt well at the conferences where we are nowadays discussing the forms of enterprise management with the leaders of the enterprises. Therefore I do not consider it a coincidence what happened during the discussion with the manager and leaders of the Balatonboglar Agricultural Combine. Their superiors suggested that the Combine organize an enterprise council to manage it. But the Boglar people--considering the strength the confidence of the workers means to management--requested that the Combine be managed by leadership chosen by its workers.

In my judgment the practice of selecting the manager and management is an extremely educational experience of the cooperative movement. Thousands of examples indicate that the managers and management of the producer cooperatives know well what the national economy, the country needs. They know primarily because the economic regulators relay this to them. But they also know that at least once a year they must account to the membership, the community of workers for their actions. Some define it by saying that the elected manager is working under dual restrictions. But in reality in the final analysis the membership, the workers--on whose decision it depends how long the manager remains manager--demand mainly one thing: that there should be order and discipline in production, in the economic operation, that better work receive greater appreciation, because this is the way the members of their community succeed better. And this also corresponds to the requirements the country has.

After this, this is how minister Jeno Vancsa continued his speech: In the work which aims to improve our national economy's ability to produce value by further developing the economic management, the tasks and responsibilities of not only the producing and service enterprises will increase but also of management. Improving the degree of management's efficiency is not at all contrary to greater enterprise independence.

This is valid also for the MEM which in the future also is expected to have responsible and economic organizing and administrative tasks. The planning work--from working out the growth and development directions of the agricultural branches to shaping the shorter term production programs--must receive even greater emphasis than before in their activity. And what is valid for planning is valid also to developing the system of means which serves to implement the plan, to create it and to control the course of implementation. Following with attention the processes which take place in the economy--and which in agriculture are also often influenced by unexpected natural factors--and in possession of this knowledge taking preventive steps is a very important condition for improving management.

The management experience we gathered by respecting the self-government of the cooperatives, and strengthening the independence of the major agricultural operations--from the regular consultations to influencing them by economic means--can be used well during the course of further developing the economic management.

In our area the multifaceted nature of administrative tasks and the multibranched system of international relations alike deserve special attention. Order and legality are also fundamental elements of economic life. We must not forget this for a moment during the course of our work.

Solving those tasks which further development of the economic management system requires, requires big work also from the agricultural research and education. In both areas we must further strengthen the economic approach, and even more emphasis than before must be placed on profitability. Unquestionably both research and education have already done much in recent years to spread the new solutions in our agriculture, food industry and forestry, to increase the intellectual capital. It can be seen that in both important areas more consistent consideration is given to today's requirements of agricultural production.

The agricultural economists can do much for clear vision, improving management's degree of efficiency, and making the work of the enterprises more successful by even more thorough analytical work, better discovery of the relationships, and by collecting and summarizing the experiences. We are certain that the researchers and educators working in our branches understand the need for the changes, and will do everything so that practical application may proceed with fewer problems and increasingly successfully on the path of progress.

The minister concluded his speech with these words:

Improving the economic regulatory system, modernizing the enterprise and cooperative organization, further shaping the system of management can produce the expected result and will successfully serve our economic policy goals if we win the support of the workers of our branches for all of our steps. In my experience our goals also express their efforts, and this must also give us strength to be ready to act when we make the decisions which serve further development of the economic management and when we implement them.

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ECONOMIST KOROSIC DISCUSSES NEEDED CHANGES

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[Interview with Dr Marijan Korosic, economist at the Economics Institute in Zagreb, by EKONOMSKA POLITIKA: "Incentives Instead of Disincentives"; date and place not specified]

[Text] However welcome and encouraging, the indicators on the growth of agricultural output, the good harvest, the satisfactory tourist "crop" and the better supply of industry and the market could also have--and our interviewee today, Dr Marijan Korosic of the Economics Institute in Zagreb, certainly is not alone in this conviction--a dangerously "narcotic effect." That is, they could muffle the signals of the persistent disturbing qualitative indicators of economic performance and indeed even encourage illusions that inflation is only "one of the remaining problems," one which can be eliminated from the economic organism like some harmless growth, by a peripheral excision, that is, without deep and urgent operations on the very foundations of the economic system and the economic policy based on it.

EKONOMSKA POLITIKA: When we were agreeing to this interview, you referred to the problems of inflation and prices as the "number one topic" at the present time.

Marijan Korosic: I am convinced that that is the case, without any sort of bias arising out of my professional orientation toward precisely that field. It is a fact that we are now in a paradoxical situation: on the one hand the upward trend of quantitative--more accurately, physical--indicators, and on the other hand very poor qualitative indicators: a drop in profitability, low productivity, a low turnover index, large losses and illiquidity, a drop in real personal income and the standard of living, high growth of prices, and growth of inventories, which raises the question of whether even that growth of output has been achieved in the "socially necessary" structure, while the pattern of exports and imports is deteriorating, and then there is the extremely difficult problem of high unemployment, especially among young people. In such a situation high inflation is inevitable, and it is not some sort of separate phenomenon, but the concentrated expression and consequence of all those problems.

EKONOMSKA POLITIKA: Nor are these problems some sort of inexplicable "rootless plants" that have sprung up from nowhere.

Korosic: The ultimate cause of all these problems lies in the economic system and the economic policy which has been built on it. That accounts for the large structural disturbances in our economy, which, in my opinion, are the immediate cause of our inflation. In saying this I am not ignoring either cost inflation or demand inflation, but I do think that their influence is less and more easily handled than the intersector and interindustry disproportions we have gotten into.

EKONOMSKA POLITIKA: What is the greatest manifestation of this?

Korosic: It is most marked in the formation of an economic structure suitable to a highly advanced country, which ours is not, in the "overdevelopment" of industry compared to other sectors. This disproportion can cause disturbances. And also an inflation which cannot be overcome by any sort of monetary restrictions on consumption and similar measures.

EKONOMSKA POLITIKA: It is difficult at this point not to recall certain countries which have been achieving high and dynamic development with not exactly an ideal "harmony" in the economic structure: some almost without their own primary sector, and some precisely through the forced development of agriculture.

Korosic: That is true. But it is also possible only with highly productive production, which is able to deal with the "surpluses" and "shortages" of its economic structure through successful inclusion in international trade. But our economic system has not encouraged that kind of orientation in optimum activation of the available productive potential. On the contrary, it has led toward autarky and encapsulization--both of the country toward the rest of the world in economic flows, and also within the country within the framework of the "national economies," and after that also even within opstina borders, and finally indeed within the borders of the organization of associated labor. Under such conditions there is no optimum allocation of accumulation by sectors and industries, nor even regionally; and then one does not get adequate efficiency and productivity, nor international competitiveness either. A logical consequence is unsatisfactory exports--even with precipitous devaluation of the dinar--and a huge deficit in the balance of payments as well. So, it is not that our industry is "overdeveloped" in some absolute sense, indeed we continue to have a very great need for its development, but it has been overencouraged in its quantitative and extensive growth relative to the development of agriculture and the tertiary sector. Agriculture in the sense of a highly productive agriculture, which would also mean relatively inexpensive production of food (instead of making even the industrial worker more and more "expensive" because of increasingly expensive food) and the tertiary sector, which is important both as a "capillary system" for highly productive industry and as a valve to relieve the pressure for extensive hiring in industry, to which we resort, allowing social welfare to prevail over economy at the wrong place.

EKONOMSKA POLITIKA: Declarations have been made that intensive investment in the past would essentially mitigate precisely those structural disproportions in our economy.

Korosic: It is a fact that we have invested immense resources in projects which now we are unable to effectuate. I am not referring here only to those notorious Obrovaces, FENI's, and other investment projects which are spoken of as mistakes. Not that I am justifying them, but mistakes there have been and will be in all economies and economic systems. The problem is much broader: we are not adequately utilizing even the sound facilities and the immense material potential which we possess. The million hectares of uncultivated plowland is also one of our "mistaken investments." And that at a time when our food balance is negative, or possibly in the best farming years there may be a "positive zero," and at a time when the activation of that potential could give us valuable benefits in exporting and improve the situation with the balance of payments. So, it is obvious that it is not enough to debate or write off mistakes, and then retain an economic system which is producing inefficiencies and absurdities in the overall conduct of economic activity and development.

EKONOMSKA POLITIKA: Primarily through which of its arrangements?

Korosic: It would not be much of an exaggeration to say in all of its arrangements, at least in those very essential ones. The foreign exchange system and policy, which has encouraged encapsulization and made it profitable to import even those things for which we have excellent natural preconditions of our own. Through the price system, which in and of itself has also encapsulated and parcelized the market, since it has rejected the market formation of prices and has been based on universal adoption of accords and agreements, compelling groups of producers of the same kind to establish bilateral monopolies with their dominant customers or all their customers. By the nature of things this generates a desire on both sides to cover all their costs and realize earnings at the expense of some third party (it does not matter whether it is some subsequent link in the chain of reproduction or the final consumer), and on a closed and divided market this must be expressed in the form of high inflation and must support the survival of all, even the least productive. And it is illusory to presuppose structural changes in an economy which is not freeing itself of its poorest components. The planning system, for example, which installed total planning and total conclusion of accords involving everyone and concerning absolutely everything. The result is that we have piles of plans on paper, but we do not have real planning. We do not even have a Yugoslav Social Plan, which cannot be the sum of the plans of organizations of associated labor or the sum of the plans of the republics and provinces....

EKONOMSKA POLITIKA: What do you believe that social plan ought to be, what should it contain?

Korosic: As far as the specific problems in development, the Yugoslav Social Plan ought to deal only with what is optimal by the nature of things and should be developed at the macrolevel, which cannot be the fruit of individual economic decisions and interests, but whose point of departure must be those

solutions which are globally the most favorable. That is the infrastructure, and here along with the customary infrastructural systems (energy, the railroads and postal, telegraph and telephone systems) I am also referring to science and technology, and probably certain large undertakings to develop agriculture would also be included here. We leave all other specific development plans to the free and independent planning of economic entities. On the basis of their own economic interests and interests in development, and that leads to economic responsibility; they themselves will find the most favorable programs and directions for allocation and pooling of accumulation for the fastest and most efficient development. By activating that force we will certainly achieve far more than with stacks of the most all-inclusive plans and accords, which are an inventory of all possible ambitions and intentions, but by no means a guarantee--even if they get the wherewithal--that the growth achieved will actually constitute development. That is, that they will create a highly productive economy whose structure is appropriate to our productive potential and level of development and is capable of more successful inclusion in the international division of labor.

EKONOMSKA POLITIKA: Yet it is assumed that the Social Plan for Development of Yugoslavia must also express some development strategy for the country.

Korosic: There are no large alternatives in that development strategy at all. The people and the natural resources are constants. The basic goal comes down in essence to employing people and activating natural and man-made physical resources in the most favorable way. The chances of our achieving that are greater through creating conditions for the working people to show initiative and make decisions on their own than through the enumeration of some sort of priority lines of development and by certifying lists of future projects "from above," that is, in the social plans of the country or the republic. The priorities ought to arise out of the specific market situation and, for us as a small country, from the operation of factors in the international environment.

EKONOMSKA POLITIKA: Might we immediately note that this will seem to some people like unacceptable liberalism or even "anarchy," in which group-ownership and short-term interests might displace the longer-term and common interests, for example, through an effort on the part of those already employed to improve their own position as much as possible, neglecting the problems of the unemployed, etc.

Korosic: It is interesting how we are inclined to treat one and the same working people--and that quite often from the same places and platforms--on one occasion as pure, harmless, fair and financially disinterested "angels" (for example, when instead of market setting of prices and economic coercion we demand that they enter into agreements and accords on prices, as though the "partial interest" of those whose products are involved is not realized most directly and par excellence through prices), and then on another occasion (when they have to make independent decisions on development and allocate the accumulation that has been created) as dangerous privatizers of social resources, egoists and insatiable spendthrifts who, unless "someone" more responsible keeps an eye on them, will not show concern even for their own interests in the immediate future, much less about those of other members of the same social community.

But, so that there are no misunderstandings, I am aware that there is no absolute freedom in anything, and so not in the conduct of economic activity or in planning. Incidentally, we cannot even cross the road any way we like, and for very good reasons, so it is quite logical that basic rules of behavior be established even here, social "traffic lights" at key points and pertaining to key parameters. If we know, say, that we are a society which is still relatively rich in manpower and interested in activating it as fully as possible--incidentally, there are several reasons why man is the most valuable resource--and at the same time are poor in capital, then the Yugoslav Social Plan must contain such a parameter, in the form of a relative relation between the price of labor and the price of capital which will favor an economic structure that will employ more people. What that will be, which activities, what sort of projects it will contain, that should follow from market conditions within the country and in the world which have been directly examined and honored. In that sense I do not believe that we need any sort of global predetermination of development strategy or an economic structure "socially verified" over the long run through planning documents of the broadest sociopolitical community. Incidentally, is that in fact even possible in today's world of immense and rapid changes? Nor do we need ideologization in the treatment of various activities and sectors which offer the greatest possibilities for productive employment of people. Without a developed and more open market, without competition, without linking economic decisionmaking and economic responsibility in the free decisionmaking of the basic self-managing entities, it is an illusion to be carried away and to "plan" sounder development, a more productive economy, more efficient utilization of resources, or indeed even the battle to lower costs and inflation.

EKONOMSKA POLITIKA: Where are we now, in what phase of this change of direction that has in fact been envisaged by the Long-Range Economic Stabilization Program?

Korosic: At this moment I find the greatest encouragement in the fact that the Federal Executive Council has gathered the strength to deal with all those ideological alluvia about prices and inflation and to offer a new draft of the law on social price control in which the basic point of departure is to leave decisionmaking on prices to the self-managers in organizations of associated labor whose products and performance are involved. I am deeply convinced that this is the only right approach which can lead to a calming down of prices. If the entities in the economy do not have independence and an immediate motivation in this area, then all the rest, the entire economic system, is standing on shaky legs. It is true that the market is not an ideal coordinator of all decisions and that it is not possible in all activities to have a direct effect toward reducing costs and stabilizing prices. There are natural monopolies (precisely in the infrastructural activities), and there also exist temporary monopolies (and under such conditions the self-managers are not immune to the aspiration of "taking advantage of the situation"), so that in such situations the social community must have certain powers of intervention even in the price area.

I feel that another essential attribute of the draft which has been submitted is that it provides for those cases when social price control is justified

that it would be at the federal level, which means that those prices must be uniform for our entire economic space, and that is very essential from the standpoint of uniform conditions for the conduct of economic activity on the unified Yugoslav market. It is also very good that this document does not ignore unearned income under those conditions, which is normal and is not any sort of "foreign body" in our conduct of economic activity, just as it is also logical for that unearned income not to be siphoned off into consumption (since it does not result from better performance, but from better natural circumstances), but rather to channel it into development of the activity in which it was realized.

EKONOMSKA POLITIKA: Yet one gets the impression that this draft also contains certain of our established and ideologized compromises.

Korosic: That is true, but regardless of certain shortcomings or inconsistencies, which certainly ought to be talked about some more (from the use of outdated or incomprehensible phrasing to the question of why commercial organizations would not be independent entities in the economy just like others, and why the price communities are being retained in the future, etc.), I still think that this move on the part of the federal government is a big step forward and deserves full support. Let us hope that the Federal Executive Council will in fact see it through in the face of the resistance which will certainly be forthcoming. In any case, the future destiny of that draft will be a very serious indicator of how resolute we really are to actually carry out what has been outlined in the Long-Range Program, and how well-founded are the expectations that this move will be followed by another one that is in the same spirit and reflects the same approach.

EKONOMSKA POLITIKA: In saying that you seem not to have managed to overcome a certain dose of skepticism.

Korosic: As a matter of fact, I do wonder to what extent we have actually created the social atmosphere for carrying out the changes, which are neither small nor painless. This suspicion also arises from what happened concerning the foreign exchange law, where once again, at least in appearance, we agreed in principle on the changes that were indispensable, and now it turns out that there is no true determination and consistency in resolving the problems. I am also afraid of influences on the social climate by the notions, unfounded, but nevertheless loudly imposed, that inflation can be stopped repressively--with a stronger hand and "more responsibility for the agreed growth rates of prices," by calling the role of government agencies or economic entities for every price rise, and so on. Yet there is no worse inflation than one which is forcibly depressed, not only because it leads to harmful self-deception that this has solved something which has not been solved, but also because it creates horrible disproportions in the economic organism, utterly disrupted symptoms and indicators in the conduct of economic activity, because it generates losses aside from any sort of objective economic elements, all mistakes and poor business performance begin to be justified on the basis of "objective factors," production is smothered, and a "black market" is encouraged with prices appreciably higher than those which would have been formed freely. So, if there is anything worse than high inflation, then it is certainly that

forcibly depressed inflation which is still being advocated by the witting or unwitting believers in the power of the state. I believe that a majority of people still prefer the shops to be full, even at higher prices, than empty shelves with prices at which there are no goods anywhere. I feel that it is still a greater incentive for the workingman if he knows that with more work he will earn more and freely choose to purchase what he wants, even though it is more expensive, than rationing coupons and stamps for limited quantities of even the most indispensable foodstuffs.

EKONOMSKA POLITIKA: But it is also a fact that high rates of inflation act as a disincentive not only on those whose personal incomes are lagging in that race, but also on the optimality of behavior and the use of resources by those who have at least temporarily been "profiting" from the inflationary redistribution of purchasing power and consumption.

Korosic: Certainly. The problem is all the more acute because it is nonsense to fool oneself that inflation is a problem in our reality that can be resolved quickly and easily, that with just a bit more determination we will quickly bring it down to a low rate. It is precisely from the belief that it is dominantly of structural origin that I draw the conclusion that quite a bit of time is necessary to calm down our inflation. It would be very harmful if we were to continue to leave its consequences to an uncontrolled redistribution, especially if we do not manage to find any sort of mechanism for protecting personal incomes against its destructive and discouraging effect. We have undertaken to index the interest rate, the rate of exchange of the dinar; that is, we are trying to protect the real value of resources against inflation, but I think that we should also protect in the same way the elementary motivation of employees with respect to their earnings. At least in terms of the confidence that inflation will not threaten their coverage of the minimum cost of living at the subsistence level. As a matter of fact, even now we have a certain indexing of personal incomes, but it is altogether anarchical. Wouldn't it be better and fairer if it were subject to definite social regulation than this way, everyone on his own?

EKONOMSKA POLITIKA: People in the many labor-intensive collectives which have been borrowing and devising other ways to pay even these earnings, which are low and dropping in real terms, would probably ask you: Where is the money to come from for payments that would keep pace with inflation? And how to prevent rebellion among the workers when they are not paid as much as the "government has entitled them to," but are paid only as much as they have been up to now?

Korosic: There would be shocks, certainly, but wouldn't they bring us closer to a more realistic picture than we have today in our economy. It would turn out that many people who are today operating "at a profit" would incur a loss as soon as we attempted to have the workers they employ live normally and meet the cost of living with what they earn on their job (instead of turning to realizing some sort of other legal and illegal additional income), and the spotlights of the public would also shine on a number of those who are earning and living very well indeed by our standards, although the social community--which also includes those mentioned above--is covering their losses. It would

probably turn out that joint reserve funds cannot, as at present, be for some a tax on income that is already scanty, while for others it is a treasury from which they can cover every expenditure they make without limit. Solidarity and aid must exist only for temporary difficulties, for a clearly stated time. Even under the capitalism of the most advanced countries there are precise social conventions whereby the professional management team is replaced after a certain period of time in which the balance sheet is negative. If such rules exist for the use of private capital, how then in our country can we go on forever taking away from one segment of the working class, often precisely that segment which is less well paid, in order to make what amounts to a present to someone else almost without restriction. It is high time that we confronted the real losers by means of a real evaluation and indication of all the components in the conduct of economic activity, including personal incomes, to begin to liberate ourselves of unprofitable production operations and reorganize those whom the present economic system helps in covering every inefficiency. Only in that way can we remove the fetters from that sound part of the economy which can pull overall development forward. We would get a clearer picture and would mitigate many injustices which are a product of this system. As well as injustices--visible in the fact that for approximately the same work in this economy of ours and in the social community we do not have anything like equal earnings, neither as individuals nor as collectives--which are destroying the very foundations of the system of motivation.

EKONOMSKA POLITIKA: You obviously regard the system of distribution and the price system as the key points of the economic system.

Korosic: I would say that those two things are the foundation and the roof of the house we call the economic system. Accordingly, the decisive thing is how we build them and how solidly we do the job, and everything that comes in between needs to be built and added accordingly. What is more, I would say that essential relations in the overall social economic system also depend on the solutions in those two areas. In other words, the extent to which we consistently bring it about that the workingman truly makes a direct and free decision on the conditions and results of his own work, that the material and social position of every workingman, and indeed the development of every work collective, depends on performance and abilities, that we realize approximately the same personal income for the same work and realize approximately the same accumulation for the same resources, etc., which is an exceedingly good indicator of the fairness of a social community, of the equality of its members in their rights and obligations. This is where I see the foundations for creating an efficient economy. Not only more efficient than the one we have had up to now, but also more efficient than many other economies we know to be progressive, and through that the essential values and advantages of the system of socialist self-management would be demonstrated in material progress.

7045
CSO: 2800/62

DISBURDENING OF ECONOMY PROVING DIFFICULT

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1758, 9 Sep 84
pp 8-9

[Article: "State Around Your Neck"]

[Text] From the thundering announcements about unburdening of the economy by reduction of social taxation, only a hope remained that they were not going to be increased. Belgrade proposes to ensure it by legislation.

The end of September is near, the deadline by which the state--as solemnly sworn at the beginning of the year--promised to the economy that it will loosen the noose around its neck for all of 70 billion dinars, the amount by which deductions from the revenues of working enterprises and the personal income of the employees were to be reduced. As it looks now, however, the economy will be lucky if the national government commits itself, not to keeping this promise (which was fulfilled with scarcely a few crumbs)--but to stop increasing its insatiable appetite in the future. This recalls the story about the father and son who chanced upon a bully at the fair, who then slapped the father. "Who hit my father?" cried the son. "Try it once more if you dare, and I'll show you." So the father kept getting boxed on his ears until he finally asked his son to stop defending him.

Wiser from the experience with "unburdening," the economic community in the capital formulated recently in the Belgrade Economic Chamber the draft of a law which was forwarded, according to the established procedure, through the republic's chamber to the Assembly of Serbia SR. It is expected that by 30 September, the day on which the state had to return to the economy those 70 billion and find the way to renounce as much as possible from dipping into the revenue of the producers, that bill will be before the deputies.

Protection of Self-Management

This is the first time that the draft of a law originated in a chamber of economy instead of, as before, exclusively looking for ways to accept the initiatives from the state apparatus. What was submitted to the Serbian Assembly on one typed page with four short paragraphs is called officially "Proposal of a law to limit establishing new obligations for the organizations of associated labor to fulfill common and general public needs during the year."

"I call it shortly a proposal of law for protecting the reproductive capacity of the economy, or a law about protection of the attained level of development of the material base of self-management, because this is exactly what it is all about" says Dragisa Pavlovic, president of the Belgrade chamber.

Stated simply, the proposed legislation should impose the obligation on sociopolitical groups, self-managing interest groups, local groups, as well as other organizations and groups, to determine their requirements, coordinated with the adopted economic policy for the year in question, at the latest by the end of the previous year; and that later, in the course of the year itself, they cannot increase the imposed levies except in some extraordinary circumstances such as, for example, consequences of a natural disaster. "The obligations in articles 1 and 2 of this law," states article 3, "are defined as taxes from OUR (Organizations of Associated Labor), revenues and personal income of workers, taxes and other levies, contributions, voluntary contributions, compulsory accumulation of part of their assets by organizations of associated labor for needs of social reprocessing, compensation for banking services, and other expenses..."

"It means that we are not asking the state to return money to the economy or to reduce its obligations, but only to not impose new taxes," says Dragisa Pavlovic. "The state is proclaiming loudly that it will return money to the economy and reduce its obligations, and how well it is fulfilling this promise is shown by the fact that we would be happy if it will promise to be satisfied with what it is now taking. I hope sincerely that the economic community and its delegates will stop, for once, buying a sixth-floor apartment in a building that has only five stories and that the representatives in the Serbian Assembly will vote for the proposed legislation."

More difficult economic conditions, lack of cash flow, and application of laws that make impossible payment of full personal earnings on the part of deficit-ridden operations and of those with irregular payment records, increasingly underscored by the end of the summer the question of excessive taxation of the economy. Ever more frequently the opinion is heard that in various ways, the state administration and bureaucracy have practically choked self-management.

"Self-management with what, if not with the results of work?" says Milisav Parezanovic, president of the SK [League of Communists] town committee of the Belgrade municipality, Cukarica. "If associated labor is deprived of the right to dispose of a great portion of its income, which is automatically channeled into places where it is later administratively spent and distributed, while decisions about the balance left are strictly governed by different laws, restrictions, social agreements and interpretations, where is the self-management? Is the economy the only culprit of all our troubles? Regardless of all the recognized and known weaknesses of the economy, how is it possible that there are losses only in the production sector, but not in administration and or state apparatus? And can progress be made, when all the regulations drag down a leveling off and to averages?

Recently, at the meeting of the GK SK Belgrade Presidium, Parezanovic advocated the support of the party for the draft law to protect the economy from further losses of revenue. On that occasion, he cited the fact that the economy of Serbia without its provinces in 1981 equalled 69 percent of social production, that its share in the first trimester of this year fell to 58.8 percent, and the projected goal for 1985 should be 71.8 percent.

"The 6-month balance showed that the economy's participation in social production has decreased to 56 percent," added Milisav Parezanovic.

Disburdening Impossible

All this justifies the position of the economic chamber's leadership that it is really necessary to protect the existing, though unsatisfactory, level of the material base of self-management. Something similar, with sharp demands for the government finally to fulfill its promises, was heard recently at various levels and organizations of the socialist Alliance.

From what has been learned, however, the prevailing opinion in the SIV [Federal Executive Council] is that a more serious disburdening of the economy at this moment is--impossible. They consider that even a superficial look at the structure of the government budget proves this, with nine-tenths of it being expenses not advisable to touch: the armed forces and the police. Thus, reducing the obligations of the economy can be achieved only relatively in the case of substantial increases of social production, because if done at the expense of the already-threatened education, health, or science budgets, it would destroy them without bringing any advantage to work organizations. For several years, however, what everybody sees should be done has not occurred. Whoever can takes a portion from what there is, while at the end those employed in the economy pay the bill.

Indeed, it is justifiable to ask if there would be as much hesitation, doubt or attempts to repeat what was already settled within the state administration and the political organs, if their revenues and personal incomes were subject to the same criteria that exist in the product[illegible]tor.

Interest

To tell the truth, the question of taking away from the economy has come more sharply into focus for the workers only since the new high interest rates became operative in the process of implementing the policy of higher cost of money. Here, the government experts are completely justified when saying that until recently the work organizations thought that the credits and reserves would continue as before, and that the hope is still alive that the state will have to get softer and relax the pressure of interest rates. Belgrade data shows that the levies from economic revenues for 1983 recorded a growth rate of 155, with only 136 of realized revenues. And one-third of all deductions are for interest payments. What will happen this year and the next, when interest rates will be the same as the percentage of inflation?

"The social levies are not an insurmountable obstacle for us," says Kamenko Trifunjagic, manager of the Udarnik stockings factory in Zrenjanin. "Our

business policy frees us from the need for credits, interest payments do not strangle us, and this is the whole secret."

It is interesting that in the proposals of the Belgrade economic community on how to reduce dipping into revenues, representatives of various sectors indicated as most important the demand to make some changes in the interest rates policy. It should be mentioned that these opinions were expressed at the beginning of the year, when the true consequences of the strict financial policies had not yet been observed. It is characteristic that it is precisely the metalworkers in the capital, who in such a simple test as the need to work during the break prove that they produce more when half of them are absent, are asking most loudly for reexamination of the interest rate levels because that way, as they say, what is taken from the social economy goes into private pockets "which is not permissible in our society."

It is obvious that even in the economy there are still tendencies to maintain by any means old practices and to return discussions to the starting point, since this seems easier than to plunge into the new and unknown. Similarly, those who take from the economic revenues, by the nature of things, do not want to rennounce the easy life on guaranteed percentages.

12711
CSO: 2800/29

CHANGES IN 1984 FEDERAL BUDGET

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 55, 12 Oct 84 p 1245

[Amendments to the Federal Budget for 1984 adopted by the SFRY Assembly in a session of the Federal Chamber on 10 October 1984: "Amendments to the 1984 Federal Budget"]

[Text] Article 1

In the Federal Budget for 1984 (SLUZBENI LIST SFRJ, No 70, 1983) in Article 1, Subparagraph 1, the sum "243,437,000,000" shall be replaced by the sum "256,137,000,000", and in Subparagraph 2 the sum "374,022,800,000" by the sum "386,722,800,000".

Article 2

In Article 3, in the Balance of Revenues and Expenditures of the 1984 Federal Budget, in Section I. Revenues, the following changes shall be made:

1) under Type 03. Turnover Tax on Products and Service Charges, under Revenue Form 03-1 Turnover Tax on Products, the sum "150,120,00,000" shall be replaced by the sum "157,000,000,000", under Revenue Subform 03-1-1 Portion of the Basic Turnover Tax, the sum "150,120,000,000" shall be replaced by the sum "157,000,000,000", and on the line for Total Type 03, the sum "150,120,000,000" shall be replaced by the sum "157,000,000,000";

2) under Type 05. Administrative Fees, under Revenue Form 05-1 Administrative Fees, the sum "767,900,000" shall be replaced by the sum "884,900,000", under Revenue Subform 05-1-1 Consular Fees, the sum "510,000,000" shall be replaced by the sum "627,000,000", and on the line Total Type 05, the sum "768,000,000" shall be replaced by the sum "885,000,000";

3) under Type 06. Customs Duties and Special Charges, under Revenue Form 06-1 Customs Duties, the sum "52,973,000,000" shall be replaced by the sum "56,069,000,000", under Form 06-2 Special Import Charges and Fees, the sum "30,855,000,000" shall be replaced by the sum "32,662,000,000", under Revenue Subform 06-2-2 Special Charge for Equalization of the Tax Burden, the sum "27,625,000,000" shall be replaced by the sum "29,240,000,000", under Revenue Subform 06-2-3 Special Charges for Customs Records, the sum "3,227,000,000"

shall be replaced by the sum "3,419,000,000", and on the line Total Type 06, the sum "83,828,000,000" shall be replaced by the sum "88,731,000,000";

4) under Type 07. Revenues Under Special Federal Enactments, Revenues of Administrative Agencies and Miscellaneous Revenues, under Revenue Form 07-2 Revenues of Administrative Agencies, the sum "5,445,000,000" shall be replaced by the sum "6,245,000,000", under Revenue Subform 07-2-1 Revenues of Federal Bodies, Agencies and Organizations, the sum "5,445,000,000" shall be replaced by the sum "6,245,000,000", and on the line Total Type 07, the sum "8,721,000,000" shall be replaced by the sum "9,521,000,000";

5) under Total Revenues for Distribution (Types 01 through 08) the sum "374,022,800,000" shall be replaced by the sum "386,722,800,000".

In Section II. Distribution of Revenues, the following amendments shall be made:

in Basic Purpose 02--National Defense and Social Self-Protection, under Distribution Group 02-1 Funds for the Yugoslav People's Army, the sum "233,898,000,000" shall be replaced by the sum "246,598,000,000", in Revenue Distribution Subgroup 02-1-1 Funds for the Yugoslav People's Army in the Current Year, the sum "231,608,000,000" shall be replaced by the sum "244,308,000,000", and on the line Total Basic Purpose 02, the sum "233,898,000,000" shall be replaced by the sum "246,598,000,000".

On the line Total Revenues Distributed and Undistributed the sum "374,022,800,000" shall be replaced by the sum "386,722,800,000".

Article 3

In Article 4 the sum "374,022,800,000" shall be replaced by the sum "386,722,800,000".

In Section 12--Federal Secretariat for National Defense, Basic Purpose 02--National Defense and Social Self-Protection, under Item 217 02-1-1 Funds for the Yugoslav People's Army in the Current Year, the sum "231,608,000,000" shall be replaced by the sum "244,308,000,000", on the line Total Basic Purpose 02, the sum "233,898,000,000" shall be replaced by the sum "246,598,000,000", and on the line Total Section 12 (Items 217 through 218) the sum "233,898,000,000" shall be replaced by the sum "246,598,000,000".

7045
CSO: 2800/60

REPUBLIC BREAKDOWN FOR OIL IMPORTS, JANUARY-AUGUST 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Oct 84 p 3

[Article by Milorad Urosevic: "'Vested' Rights Contested"]

[Text] The supply of energy, especially when it comes to petroleum, is evoking various reactions every year, which is understandable if we realize that the needs are considerably greater than the quantities actually available and the ability to purchase it. It is true that the situation has been changing to some extent ever since the price of petroleum products in the country reached an astronomical level, so that now there is a greater cry from the refineries, which have a capacity threefold greater than really necessary and economically justified, than from consumers, whose appetites have been shrinking more and more. Trends like this inevitably break even certain old habits, so that finally the turn has come for the so-called "vested rights" which have been talked about for such a long time now, but a bit timidly, and therefore the public was not informed about this in detail.

Some more about this, but quite certainly this is not all, nor will this be the end of it, was said in a recent meeting of business executives of Serbia and Slovenia. Serious criticism was expressed about the way in which the country's energy balance has been drawn up, especially concerning the way in which foreign exchange is furnished to import petroleum and the distribution of the imported quantities among sociopolitical communities--which make up the "government," and the distribution of products among consumers by republics and provinces, which is dealt with in self-management accords. In this way, it was observed in this meeting, Serbia and Slovenia, although they are setting aside half of the foreign exchange to import petroleum, are receiving the smallest amount of products, since the republics and Vojvodina, which have refineries, are privileged.

The Pattern of Distribution

However, it is not just a question of the distribution of imported petroleum and the allocation of foreign exchange viewed in overall terms, since the exercise of "vested rights" goes beyond that, which we will have something more to say about following the figures given in the following table:

Petroleum Imports in the Period January-August 1984

Sociopolitical Communities	Total Imports: Quantities, Thousands of Tons	%	Value: Millions of Dinars	%	Breakdown: From Convertible Area, Thousands of Tons	% of Total	From Bilateral Payments Area, Thousands of Tons	% of Total
SFRY	5,893	100.0	166,583	100.0	2,413	41.0	3,480	59.0
Bosnia-Hercegovina	1,181	20.0	32,911	19.8	372	31.5	809	68.5
Montenegro	--	--	--	--	--	--	--	--
Croatia	1,938	32.9	54,613	32.8	839	43.3	1,091	56.7
Macedonia	759	12.9	21,664	13.0	222	29.3	537	70.7
Slovenia	--	--	--	--	--	--	--	--
Serbia proper	140	2.4	4,029	2.4	122	87.1	18	12.9
Kosovo	--	--	--	--	--	--	--	--
Vojvodina	1,875	31.8	53,366	32.0	858	45.8	1,017	54.2
The Federation	--	--	--	--	--	--	--	--

As we see in the table, in 8 months, which is two-thirds of the year, 5.893 million tons of petroleum were imported, which is 62.7 percent of all the quantities imported during last year, or 373,000 tons less than in the same months of last year. Payments for these imports amounted to 166.6 billion dinars, but it is unrealistic to compare that amount with the figure for last year because of the considerably lower value of the dinar. Expressed in dollars, on the average $226.50 has been paid so far this year for petroleum, as against $232.10 last year, that is, $4.60 cheaper per ton.

Outdated Relations

In the period under consideration, it is stated in a report of the Federal Bureau of Statistics, Montenegro, Slovenia, Kosovo and the Federation bore no burden for imports of petroleum, while Bosnia-Hercegovina, Croatia, Macedonia and Vojvodina, that is, the sociopolitical communities which are owners of refineries, received 97.6 percent of all the quantities imported, and only Serbia proper received the other 2.4 percent. Since when is that possible when these two republics, as was stated in the meeting of business executives of Serbia and Slovenia, paid half, that is, set aside the foreign exchange to pay for half of the imports, is truly not clear.

It remains to examine in a bit more detail the distribution of petroleum purchased from the convertible area and the bilateral payments area. This is especially significant when we realize that goods are paid for on the convertible market in "hard" currencies, while all purchases from the bilateral payments area, and that includes petroleum, are allocated by decision of the "government." This system was in effect previously, and probably was justified, but now, when every republic and province bears responsibility for its share in

foreign trade, this kind of allocation of goods imported from the bilateral payments area--which means that the allocation of foreign exchange realized there has no real basis, especially since this kind of distribution hurts most those sociopolitical communities which have a payments surplus in trade with that area. This applies above all to Serbia proper, which is why a few days ago attention was called in a meeting of the republic executive council that the economy of this republic should be afforded a larger share in imports from the bilateral payments area in proportion to their share in exports to the countries with which the settlement is made according to that method.

The figures in the table show how that distribution takes place, in this case imported petroleum. The republics and Vojvodina which have refineries paid for 95 percent of the petroleum imported from the convertible area, and Serbia proper 5 percent. The "owners" of refineries received 99.5 percent of the petroleum imported from the bilateral payments area, and Serbia proper was entitled to the remainder of just barely half a percentage point. This was done, and the situation was the same last year, even though at that time both the other republics and Kosovo were [garbled sentence], in spite of the fact that over the first 6 months Serbia proper exported 137.50 dinars to the bilateral payments area for every 100 dinars it imported. At the same time, for every 100 dinars of imports from that area Macedonia had exports amounting to 46.70 dinars, Vojvodina 46.70 dinars, Croatia 84.60 and Bosnia-Hercegovina 92.10 dinars. This relationship, as has already been stated, is the result of rights acquired long ago.

7045
CSO: 2800/60

JUSTIFIABILITY OF WORK STOPPAGES ARGUED

Zagreb START in Serbo-Croatian No 407, 25 Aug 84 pp 27-29

[Article by Srdjan Spanovic: "What Yugoslavs Strike Against"]

[Text] A short newspaper notice recently informed the public that the strike at the "Idnina" Factory in Kratovo had come to an end after 45 days. The 100 or so out of the factory's labor force of 333 workers thereby set a kind of record, since this is the longest recorded worker strike in socialist Yugoslavia so far. The immediate occasion for the strike was a decision by the executive council of the opstina assembly instituting receivership [prinudna uprava]. This marathon strike has again aroused the attention of our public, since it has been the occasion for raising several fundamental issues. Is the strike a legitimate means of the struggle of the working class for its historical interests in our country? Against whom is the strike actually directed? What is the difference between a strike in socialist Yugoslavia and one in the capitalist countries?

Dissatisfied with the decision of the workers' council adopted contrary to the stands which had been presented to delegates in meetings of the various plants and departments, on 8 June 242 workers of the "Production" OOUR [Basic Organization of Associated Labor] of the "Nikola Tesla" Work Organization for the Production of Telecommunication Equipment in Zagreb went on strike. The immediate occasion for the strike was a decision by that workers' council, but also by those of other basic organizations of associated labor, to set aside 2.3 percent from the personal income of workers earning more than 13,000 dinars. Those funds were to be used to establish a solidarity fund to raise the lowest personal incomes of that portion of the labor force earning 10,390 dinars or slightly more. The strike lasted less than 3 hours. On Saturday, 9 June, 36 out of the 1,100 employed on the shift resumed the strike. That was the third time there had been a strike in that factory in less than a month.

The workers of this basic organization of associated labor, some 100 of them, also struck on 16 May, when again the occasion was a reduced payment of personal incomes.

Although it seems absurd that there should be problems with personal incomes, and that a strike should even erupt for that reason and in fact recur in a work organization where the average personal income paid out in the first 3

months of this year was 25,698 dinars, it becomes easier and easier to understand and explain when we learn that personal incomes are only the immediate, although the most frequent, occasion for a strike.

Last year all of 85 percent of strikes were related to personal incomes. In 70 of the 313 strikes the issue was a drop in earnings from the previous month, the low earnings of employees accounted for 61 strikes, and late payment of personal income was involved in 44 strikes. Inappropriate quotas and amendment of the regulation on remuneration were the occasion for 38 strikes.

According to an analysis of the Zagreb City Council of the Federation of Croatian Trade Unions, all of 63 percent of strikes between 1981 and 1983 were brought about by personal incomes. That this is nothing specific about the present moment is indicated by a datum from a survey on strikes done in SR [Socialist Republic] Serbia from 1 January 1964 to 1 September 1965. Over that period 70.9 percent of the 117 strikes recorded were "blamed" on personal incomes. But the problem with personal incomes, while it is the immediate cause, is usually only a screen concealing the deeper causes and problems that have a direct impact on the pay envelope.

The commission which analyzed the situation at "Idnina" in Kratovo in fact noted: "Self-management relations and the system of distribution according to work are undeveloped, there is group-owner behavior and the standards of socialist ethics are not abided by, there is encapsulization within the local limits, and a refusal of open dialogue and public criticism."

The real problems in the "Production" OOUR of the "Nikola Tesla" RO [Work Organization] lay in the fact that transformation and reorganization had not been carried out in conformity with the Law on Associated Labor. This, the largest basic organization within "Nikola Tesla," has all of 3,000 employees, and it is clear that successful production can hardly be organized otherwise, and it is almost impossible to exercise the rights of self-management. It is the lack of information and the failure to carry out self-management that favor arbitrariness and the creation of conflicts. A small number of members of the League of Communists, only a fifth of whom are actual operatives in the production process, seem to have held back the activity of the party, which, like the trade union organization, stood on the sideline of events in the collective, mostly because of lack of concern for resolving the problems which the direct producers had in the workplace and outside it.

Strikes in the SFRY From 1958 Through 1969

Year	Number of Strikes	Number of Participants
1958	28	Precise number unknown
1959	150	Precise number unknown
1960	102	Precise number unknown
1961	130	Precise number unknown
1962	225	Precise number unknown
1963	213	Precise number unknown

Table (continued)

Year	Number of Strikes	Number of Participants
1964	271	About 11,000
1965	231	About 9,000
1966	152	Precise number unknown
1967	118	16,762 (no figures on the number of participants in eight of the strikes)
1968	148	19,206 (no figures on the number of participants in 20 of the strikes)
1969	The figure is 138 for the first 8 months	21,629 (no figures on the number of participants in nine of the strikes)

Worker Strikes in the SFRY From 1980 to 1983

Year	Number of Strikes	Number of Participants
1980	253	13,507
1981	216	13,504
1982	170	About 11,000
1983	313	About 22,000

The key question remains behind these examples as indeed it does behind all other strikes: Against whom are Yugoslav workers striking when socialist self-management, the rule of the working class, has been proclaimed in our country and legislatively adopted? Are they actually striking against themselves?

An acceptable answer to that question can be found in an article written by Lenin in 1921: "On the Role and Tasks of the Trade Unions Under the Conditions of the New Economic Policy," which in fact later became a decision of the Russian Communist Party (Bolshevik) Central Committee. It states that "no communist party nor Soviet government nor trade union dare forget at any time and must not conceal from the workers and working masses that the use of the strike as a weapon in fighting the state with a proletarian government can be explained and justified exclusively by bureaucratic distortions of the proletarian state and by all sorts of remnants of the capitalist past in its institutions, on the one hand, and by the political underdevelopment and cultural backwardness of the working masses on the other."

The accuracy of Lenin's predictions and conclusions, written more than 60 years ago, can in fact be confirmed by the figures in our strikes. Not a single worker strike in our country has been aimed at tearing down the system of socialist self-management. Hostile activity has never been the immediate occasion or actual cause of a strike. As a matter of fact, during the strikes the workers have repeatedly stated the need for the development of self-management in their own work collective and in the broader community. In surveys

taken among participants in certain strikes the workers declare themselves 100 percent in favor of self-management, explaining that the strike occurred because the channels of self-management were "stuck up" and "not broad enough" for democratic articulation of interests in self-management. During a strike the workers show an exceptionally high level of class consciousness and very rarely destroy social property or machines, and even then this is done only by individuals. As a matter of fact, workers are striking more and more frequently because they cannot work, because of a lack of either fuel and power or production supplies. During last year's strike at the "Pobjeda" Textile Mill in Zagreb the workers stopped work only when the manufacturing process was completed on the particular machine and the raw material on which production had begun was used up. Otherwise there could have been considerable property damage, since a technologically unnatural interruption of production would have destroyed sizable amounts of raw materials and intermediate products, and in fact the shortage of them was one of the causes of the strike.

"A whole number of work stoppages has been constructive or on the verge of being constructive precisely in the sense of developing self-management, although the occurrence of a strike is assigned that basic organizations of the League of Communists should immediately ascertain the causes and initiate a resolution of the problem, since ultimately it is abnormal for strikes to occur under our conditions. It is abnormal, although I am not condemning the strike. Every such strike has been settled within a few hours, precisely those decisions were adopted which should have been adopted before, only no one did, and that was the cause of the strike," Vladimir Bakaric wrote in his book "Socijalisticki samoupravni odnosi i drustvena reprodukcija" [The Relations of Socialist Self-Management and Social Production], elucidating the nature of the strike in our context.

In a conversation with foreign newsmen in 1978 Mika Spiljak, at that time speaking as the chairman of the Council of the Federation of Yugoslav Trade Unions, said: "Whenever a strike occurs in a collective, it is immediately clear that the trade union has not been doing what it should and that the worker, for whatever reasons, has not been exercising the rights to which he is legally entitled. Someone has somewhere and somehow prevented that.... Often people are skillful at getting together a group of people, ties are established among the director of the factory, the chairman of the workers' council, party and trade union leaders, and some other people as well from the professional management. They know how to reach a mutual understanding and to make certain decisions on which they do not put sufficient questions to the workers."

In the context of the proclaimed system of socialist self-management worker strikes are occurring primarily because of the difference between what has been proclaimed and envisaged by legislation and what has actually been achieved. Those who make decisions on the expanded reproduction of the economy are still outside production proper even now. Work collectives are not themselves defining economic policy and business conditions, which means that the working people do not have a direct insight either into the conditions of production or the results of their work. Self-management has not yet altogether "received its material basis" and even now it has it only insofar as

"the government allows," whether we are talking about the opstina, republic or federal "government."

It is an illusion, then, to speak about self-management as a system that has been achieved until it entirely "leaves ... the factory grounds," until those who produce make decisions on expanded reproduction, about all development. Actual decisionmaking "is in proportion to the real distribution of social power, which is such that the direct producer or the mass of direct producers still possess the smallest amount of that power, which is why by and large they are still in the position of an object of decisionmaking." And at the level of simple reproduction self-management "can develop more or less in all social systems today without removing or essentially changing the basic social relations or antagonisms" (Bakaric).

Neca Jovanov's many years of research have completely confirmed this thesis, i.e., that strikes are generated wherever the lowest value is placed on work in both financial and nonfinancial terms. Thus over the period from 1958 to 1969 there were about 2,000 strikes, but there was not a single case of a strike by those employed in banks, insurance agencies, foreign trade and similar institutions. All of 71.2 percent of the strikes were in industry, and the other strikes were in mining and other production branches. According to the same survey, the real cause of most strikes lay outside the work organization, in the macrosystem. In about 90 percent of the cases poor conditions for the conduct of economic activity, the work organization's unfavorable position on the market and a lack of its own influence were the real causes of the strike. For the period of the last 15 years or so we do not have such data that have been processed and systematized in this way, but on the basis of the available information one can reach identical or similar conclusions as for the period mentioned. By way of curiosity, we might record the strike in the opstina court at Babusnjica, near Nis, in 1979, when judges went on strike because of personal incomes. But that is only the exception that proves the rule.

Strikes also occur in the form of worker resistance to bureaucratic and technocratic distortions like those described by Mika Spiljak, as opposition to distribution not based on performance. A frequent occasion for strikes has also been the low level of worker information about important issues in the collective, which is conducive to the aggravation of conflicts. Seeing no other way to solve the problem, the workers decide to strike--according to the document of the Council of the Federation of Croatian Trade Unions, as a "specific form of class struggle of the workers to realize inalienable and historical rights and interests," and they occur "where vital interests and problems of the workers are not successfully resolved through the regular mechanism of self-management, through the procedure and methods of self-management."

Figures to the effect that strikes occur most frequently in workplaces which have a lengthy worker tradition going back even before the war, where there was an organized trade union movement in the period of the regime that was indifferent to the people, when the strike was a form of class struggle used very frequently and successfully, also confirm that strikes are truly a specific form of class struggle of the workers. Strikes occurred first in the

most advanced republic (Slovenia), and occurred last in SAP [Socialist Autonomous Province] Kosovo, the most underdeveloped part of the country. That is, up until 1969 there had been tenfold more strikes in Vojvodina than in Kosovo. Even today it is quite "traditional" for the largest number of strikes to occur in Slovenia, Croatia and Serbia proper.

If we compare the number of strikes in certain years associated with certain important events (for example, the economic reform, years in which congresses took place, and the year of the Letter by Comrade Tito), we can see to what extent the overall social conditions for the conduct of economic activity and also the current socioeconomic situation and political situation influence the occurrence of strikes. For example, in 1962 there were more strikes (225) than during the two previous years together (105 in 1960 and 106 strikes in 1961), which some people explain by the "fact that immediately after the Letter (the letter of the Executive Committee of the LCY Central Committee in 1958--S. S.) and the speech of Comrade Tito in Split, the assessment prevailed in a certain segment of the workers in some work organizations that a favorable situation had been created for using this as one of the ways of solving problems that directly concern them, i.e., by striking. But if we examine the period from the beginning of the seventies, for which, it is true, there do not exist accurate and analytical data on strikes in our country, or they are not accessible, but we do have certain statements by public figures and scientists, the number of strikes has dropped off considerably. This is precisely the period when the letter was sent out over the signatures of Comrade Tito, as president of the LCY, and the Executive Bureau of the LCY Presidium (29 September 1972).

In the years of assembly elections and congresses of sociopolitical organizations we have an utterly contradictory situation when it comes to strikes. Whereas in the year of the 9th LCY Congress (1969) there were 138 strikes with 21,629 participants in just the first 8 months, a total of 174 strikes with 10,997 participants was recorded in 1982. But 1978 was also a year when congresses and elections were held, but in spite of that 307 strikes were recorded, which is obvious evidence that one cannot place an equal sign between overall social mobility and the mobility within individual work collectives.

In the years before the economic reform was carried out--that is, in the first half of the sixties--there were considerably more strikes than in the years while the reform was being carried out, which seems illogical when we realize that the extent of the restructuring, change and deterioration of economic conditions the reform brought to many production sectors. By contrast with that period, the year 1983 recorded 313 strikes with about 22,000 participants, which can be logically associated to the significant drop in the standard of living of the population in general and of the workers, social insecurity, and in general the economic crisis in which society finds itself.

If we add to that that in 80 percent of the cases the workers work overtime and days off in order to make up for the damage and losses caused by the strike, it is clear that they are truly not striking against themselves, but against distortions in self-management, against bureaucratic and technocratic manipulation, against inadequate information, against their unsatisfactory

position in the distribution of social power. They strike, however, absurd it might sound, in order to be able to self-manage. That is, in about 85 percent of the strikes studied by Neca Jovanov the participants included even members of the bodies of self-management, and they were motivated to strike because the professional managers and specialists had the decisive influence in the bodies of self-management.

A few years ago a foreign TV team was in a sizable Yugoslav city at just the time when the workers of an important work organization went on strike. Seeking and anticipating a sensational story, they went to that work organization and--were disappointed. That is, a few dozen workers employed in one department were on strike, they were sitting in the yard outside the shop and talking with the professional management, which had given them complete information about the problem which had caused the strike. It had more the appearance of a morning coffee break, and to top it all off the strike was soon over, in less than an hour. The foreign newsmen found this utterly incomprehensible. The thing which caused the strike was corrected in just a matter of minutes.

Under the pressure of a strike problems which previously had been "insoluble" for 6 months or more are settled in an hour or two sometimes within work organizations. Nevertheless, this has not prevented the foreign news media from frequently using our strikes in a manipulative way or from announcing that it was only "a question of the right moment" when the workers would go into the streets en masse. There is also here a "lack of understanding" of why the workers do not strike in larger numbers and are not demonstrating in spite of the economic crisis. Both of these viewpoints, with a likely dose of maliciousness, are also evidence of a lack of familiarity with and understanding of all the specific features of strikes by Yugoslav workers we have mentioned. Strikes occur in Yugoslavia only at the level of work organizations, and so far there has not been a single general strike. The typical strike occurs within the factory, is peaceful, and there is no irresponsible behavior.

Compared to strikes anywhere in the world, the Yugoslav strikes are "chopped up the finest." Just as nowhere in the world are the strikes "so small and scattered," so also the strikes are not so successful anywhere else. Whereas in Great Britain the miners have been striking for more than 20 weeks now without any result whatsoever, and the government wants to halt the strike even with police repression, threats and all available means and methods, without giving in even to a minimum of the demands of thousands of miners, in our country we have had strikes involving 2, 4 or 10 people who stop striking in just a few hours because the problems have been resolved. In the West the strike is used as the classical weapon of class and political struggle to realize the workers' interests, which basically tend toward bringing down the capitalistic system. That is why our strikes are unimaginable in their context. For the West it is incomprehensible for two people to go on strike, as was the case last year with Dusica and Marijan Vejvoda, custodians of the "desert" ecological museum at Blaca on the island of Brac. They used their 4-hour strike in an attempt to call the attention of the public to the intolerably bad state and attitude toward this gift of nature. In the capitalist countries such strikes end with a simple firing, while in the countries of the "camp" it ends with imprisonment and a court trial.

In the countries of real socialism there has been no theoretical discussion of strikes for a long time because of creation of the myth that their society is without conflicts and all contradictions have been resolved. When worker strikes have in fact occurred, they have been "resolved" with extremely repressive measures, and in legal terms they have been referred to exclusively as crimes. In those countries the democratic preconditions for minor strikes do not exist even today, and they are very rare; but when in fact they do occur, they go unmentioned. It is a characteristic of the "eastern strikes," when they do occur, for the workers to participate in large numbers and for a drastic situation to frequently erupt in demonstrations, which are followed by numerous other consequences both for the organizers and also for the professional managers and political authorities of the factory and the industry. A frequent consequence of these strikes is also the removal of local or even higher government officials. There were vivid examples of such events in the countries of the "camp" in the GDR in 1953, in Hungary in 1956, or in Poland in 1956, 1970 and the early eighties.

The average Yugoslav strike lasts considerably less than 1 working day. In the period from 1958 through 1969 all of 75.5 percent of the strikes lasted less than 1 day. Last year the strike of women making dresses and suits in the "Sivaona" Plant of "Slavija" in Osijek lasted only 10 (ten) minutes, but the workers of the "Mali Mostovi" OOUR in Ivanjac stayed on strike an unusually long time for our conditions--3 days. It can confidently be said that the workers of "Idnina" of Kratovo will hold the record for their 45-day strike for a long time yet. Last year's strikes, which on the average lasted 4 hours and 45 minutes, were the shortest over the last 10 years. In the period from 1958 through 1969--for which we have the most solid research on strikes for all of Yugoslavia--about 150 workers participated in the average strike. Last year there were about 22,000 workers involved in 313 strikes, which means about 70 workers per strike on the average, while in 1982 there were 10,800 workers involved in 170 strikes, which means 0.2 percent of all people employed in the socialized sector. In the 166 strikes for which the figures exist on the number of participants, there were between 40 and 100 workers on strike, or an average of 65. In the 146 strikes on which figures exist on duration, 728 hours were lost, for an average of 5 hours. In 1981 there were 13,504 participants in 216 strikes, or 62 workers on the average. The year before there were 253 strikes with 13,507 participants, which is an average of 33 workers per strike. If we compare these "freshest" figures on strikes with the data in the book "Radnicki strajkovi u SFRJ" [Worker Strikes in Yugoslavia] by Neca Jovanov--Yugoslavia's foremost "expert on strikes," as Mika Spiljak once referred to him in a discussion of strikes, a book that works up the data on strikes in the sixties quite thoroughly--we can say that the position taken in the document of the Zagreb City Council of the Federation of Croatian Trade Unions that strikes "in terms of their frequency and the number of workers involved in them have not been a political problem of any significance within the city of Zagreb"--is completely applicable to the situation with strikes throughout the country. The number of strikes in our country has actually been decreasing, but at the same time the number of economic entities involved has been increasing. Over the period from 1980 through 1983 there were 952 strikes, while between 1962 and 1965 there were 940 strikes, which signifies a real drop in the number of strikes if the

comparison is based on the number of economic entities. The real decrease is also evident if we compare the number of participants in the strikes; for example, in 1964, when there were about 11,000 of them, and 1982, when there were also about 11,000 participants. In the first 8 months of 1969 there were 21,629 strikers, and there were approximately the same number last year. If we compare those numbers with the number of people employed, which has grown considerably since that time, it is clear that the share of workers who strike is also diminishing in the total number of persons employed. These figures prove that "the valves of self-management now have a larger capacity" for solving problems, so that the workers no longer need to decide on "hasty action," i.e., a strike.

And the fact that they do frequently make a hasty decision is indicated by a datum in Neca Jovanov's survey we have mentioned: that in only 27.7 percent of the cases did the workers use the strike as the ultimate weapon after they had first exhausted all the channels of self-management. In all of 72.3 percent of the cases they struck before they had used all the regular remedies.

Today there exist two completely [one illegible word] attitudes on strikes. One is the absurd thought that our society is threatened by strikes, that our society is less socialist is something that is quite evident, as in the case of strikes, is also discussed. On the other extreme there is the opposite view that all strikes are justified. It is evident that both theses have been called into question by the figures given from the survey.

Advocates of a ban on strikes often refer to the fact that neither the constitution nor any legislative document allows a strike. But it is also true that neither the constitution nor other laws of our country prohibit the strike either, so that the approach to the lawfulness of strikes is in conformity with the position of Dr Jovan Djordjevic to the effect that "what is not permitted is only what has been explicitly prohibited by the constitution or laws." We are thus left to examine each strike separately and on the basis of the facts draw a conclusion as to whether it is justified or not. In the early seventies there were numerous discussions of strikes in the bodies of government and sociopolitical organizations. There were proposals that the strike should be sanctioned by law, that they should be regulated by the Bylaws of the Trade Union Federation, that a strike code should be drafted, and so on. But all of that remained at the discussion level. At the time when the draft of the constitution was enacted in 1974, there was serious discussion of constitutional definition of the right to strike. But all such initiatives were lost in the adoption of those documents, so that the People's Republic of China is the only socialist country whose constitution has at one time provided that the citizens "also enjoy the right to strike."

But in our society strikes are not a taboo topic, they have been discussed quite a bit in political and professional circles, the newspapers record and follow nearly every strike, especially those whose features are such that they might go in the Guinness book of records, such as the various "lilliputian strikes," either in terms of the number of participants or the length of their duration.

Nevertheless, even today there are differing approaches to strikes from one republic or province to another. Whereas summary figures for Yugoslavia can be obtained in the Council of the Federation of Yugoslav Trade Unions, in order to learn that in 1983, say, there were 11 strikes in Bosnia-Hercegovina, 4 in Montenegro, 64 in Croatia, 35 in Macedonia, 115 in Slovenia, 65 in Serbia proper, and 1 in Kosovo and 9 in Vojvodina, we need to turn individually to the council of the federation of trade unions in each republic or province. That is, the four republic councils regularly present those figures to the public, while the councils in the two provinces and two republics keep them under embargo even now.

After the relatively comprehensive data on strikes throughout the country which from the first strike in socialist Yugoslavia--which occurred in 1958 at the Trbovlje-Hrastnik Mine--up until the middle of 1969 were gathered and worked up and published in the form of a book by Neca Jovanov, in the early seventies a "lull" seems to have ensued in the following of these indicators of social "neuralgic points," and up until the mid-seventies the figures on strikes were either not kept or were not made available.

The most complete figures for the period from 1974 up to the present time exist for SR [Socialist Republic] Slovenia. In the first year of that period 64 strikes were recorded, but in 1975 only 47, and the number of strikes remained within that limit in the next 2 years as well. Fifty strikes occurred in 1976, and 49 the next year. In 1978 the number of strikes grew to a total of 108, but the very next year, 1979, was "tolerable" with only 63.

Painstaking statisticians have calculated that a total of 5,872 workers participated in 108 strikes in 1978 lasting an aggregate total of 4,877 workdays. This yields an average of 3 minutes per person employed in Slovenia, which means--assuming that the work time was not made up--that strikes caused much less harm than absences from the workplace during working hours on private business. The loss resulting from strikes has also been less than that caused by sick leave, idleness caused by the lack of production supplies or power, because of lateness....

The first strike in socialist Yugoslavia occurred at the Trbovlje-Hrastnik Mine in SR Slovenia 13-15 January 1958, all of 13.5 years after the triumph of the socialist revolution. As a matter of fact that strike and the next one, in the Zagorje ob Savi Mine, differ greatly from all the subsequent worker strikes in our country. Because of the low personal incomes--caused by the position of the mines in the social system of distribution, the low prices of coal and the high prices of supplies consumed in mining it--about 4,000 miners went on strike. Of the total work force of 4,241, only about 200 did not strike. Those were workers working at other places than Trbovlje and Hrastnik.

The result of the strike was a very rapid resolution of problems which were already old ones. A decision of the Federal Executive Council raised the price of coal from the Trbovlje-Hrastnik Mine 13 percent, and several other decisions were taken concerning business and financial affairs and also workplace health and safety. The strike was ended on 15 January at about 1000 hours. As a sign of solidarity with the Trbovlje miners, on 16 January 1958

about 1,200 miners at the brown coal mine at Zagorje ob Savi undertook a 1-day strike. All the blue-collar workers and officeworkers and all members of the League of Communists and the bodies of self-management took part in the strike.

Dr Mladen Zuvela's attempt to predict the beginning of a strike by following electric power consumption as a relatively accurate indicator of the intensity of work activity, is an interesting aspect related to strikes in our country. In the work collective he chose in Split, where there were known to be problems and conflicts, electric power consumption, which was falling day by day, was measured. The precise beginning of the strike was "missed" by only 1 day.

It is clear from all this that the strikes which break out in Yugoslav work collectives are by no means a threat to socialism and self-management. But that does not mean that they should be thrust completely to the margin of public interest or should be "calumnified," since often they reveal the malignant places in self-management and are an occasion for seeking a diagnosis and the necessary therapy. But we also need to avoid the very common satisfaction with the rapid ending of a strike, which has occurred by removing only its immediate cause. Then everything will end only with regular payment or a raising of the personal income, by giving the workers the information they request, while the true causes that lie in the bureaucratic machinations, defects in the system and the lack of self-management will continue to remain concealed. That is why in certain places strikes recur 3, 4, or even 8, 9 and 10 times.

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